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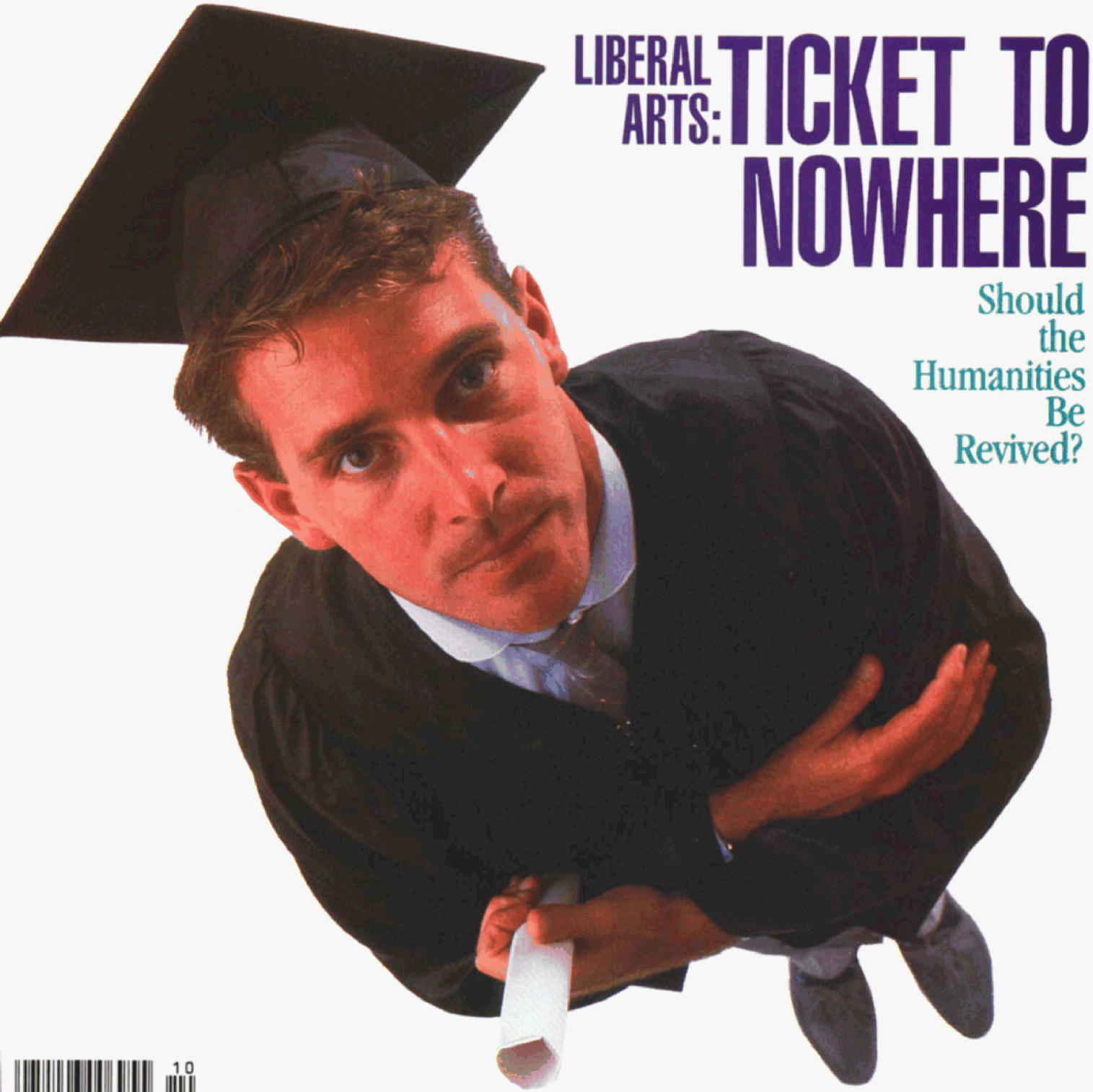

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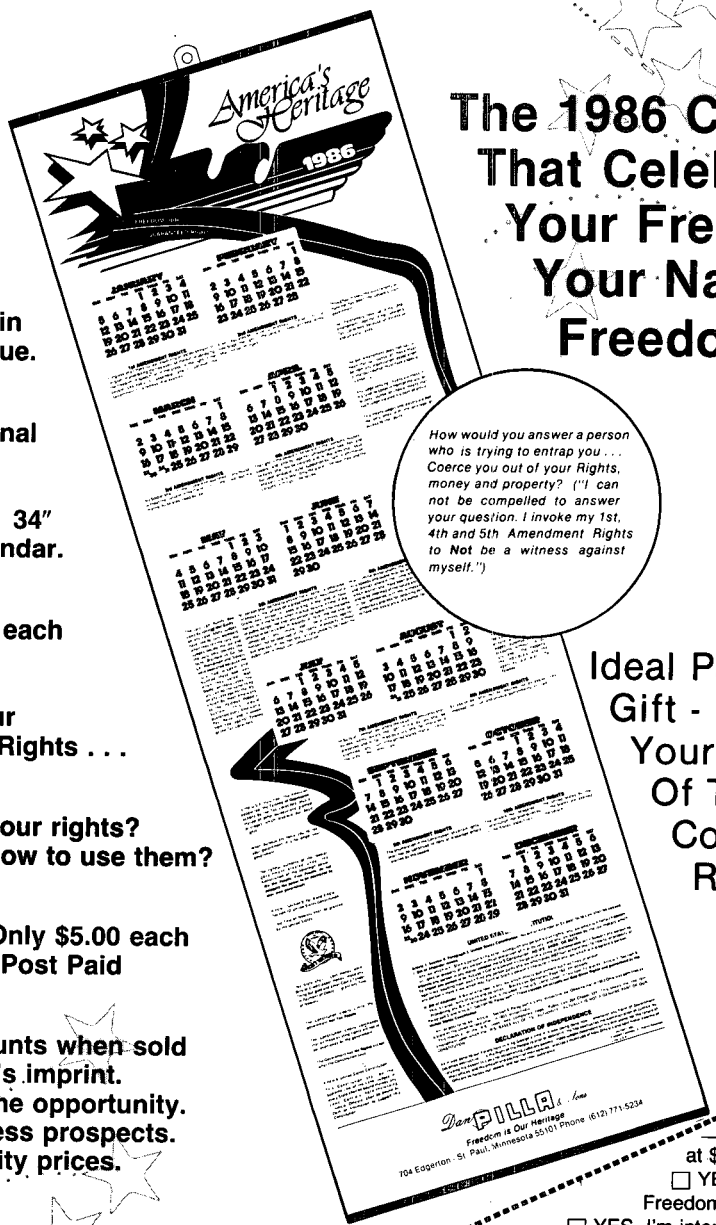
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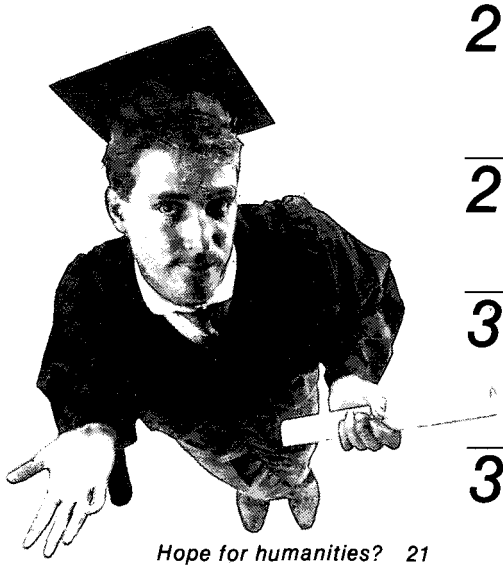

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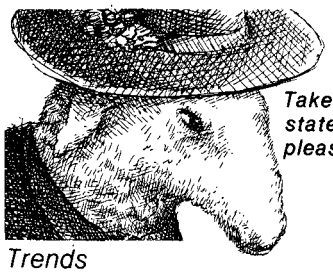

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letters

We Doubt It

Joe Cobb's article "A Dubious Debt Doubt" (Aug.) seems to promote the idea that borrowing short and throwing away long is good government policy which nullifies ill effects from deficit spending and mushrooming national debt.

Maybe he can push a rope uphill too.

Leslie Fleming
Watonga, OK

Doubting the Debt Doubt

Joe Cobb's argument seems to be as follows: 1) Government must pay interest on its debt. 2) Inflation of the money supply causes higher interest rates. 3) Therefore, the debt "helps to prevent inflation." Cobb makes a number of assertions that call for comment.

After saying that "most people believe the national debt or the annual budget deficit...are terrible economic things, monsters that cause all sorts of economic problems," Cobb indicates his rejection of this view: "The view that the debt must inevitably lead to inflation in the long run is widely held, but it is entirely wrong. Not only is there no connection in our modern economic system between government debt and inflation, but the very existence of the deficits—the government's ongoing need to borrow—helps to prevent inflation!"

Note the universals in this statement: "entirely wrong," "no connection." Surely this is not the case. Is there really "no connection" between "government debt and inflation"? None at all?

There is, first of all, the connection that Cobb himself argues for: higher inflation causes higher interest rates, which in turn cause higher debt. But also, the argument that the debt has no connection with inflation assumes that the members of the US Congress understand and believe the following:

- Inflation of the money supply causes higher interest rates.
- Higher interest rates lead to higher deficits.
- Deficits are bad and must be avoided.

Cobb's article, moreover, is riddled with false statements. For example, he apparently means obligations with maturities of five years or less when he speaks of "short-term securities." These, he says, "are not vulnerable to inflation." Absurd. Even at a 3 percent annual price inflation rate, five-year notes will lose more than 16 percent of their value. Of course, I do not believe we shall have a 3 percent price inflation rate during the next five years, and during double-digit inflation—say only 10 percent per year—a one-year obligation is not invulnerable to inflation.

It is true that short-term debt is less vulnerable than long-term, but less vulnerable is not invulnerable. Couple that with the government's somewhat successful efforts to extend the average maturity of its obligations, and we see an organization seeking to put its creditors into a highly vulnerable position.

The whole argument that deficits are salutary because they are "a government's primary incentive to hold down its inflation rate" is akin to arguing that heart disease is good because it is a primary incentive to lose weight....

John Robbins
Jefferson, MD

Debtor Late Than Never

Joe Cobb's case that governments can't inflate the debt away is not entirely accurate. For example, his comments about the Balanced Budget Amendment are misleading.

SJR 58, which was passed by the Senate August 4, 1982, would limit taxes, stop off-budget spending, prohibit deficits, and cap the debt.

Short-term obligations average 60 percent of the total public debt. Refinancing this maturing debt contradicts his conclusion that "the achievement of that (balanced budget) policy would take away a government's primary incentive to hold down its inflation rates. If the Treasury didn't have to sell T-bills every week, it wouldn't have to worry about the discount that its lenders demand as an inflation hedge."

How would Cobb refinance without

letters

T-bills and notes? Bank-restricted bonds could replace maturing short-term debt. The banking system would "monetize" this debt (more inflation)! However, recent trends do not substantiate this possibility. The Fed has reduced its exposure 45 percent since 1973, while the "people" hold 70 percent of the debt.

Another option to T-bills is private purchase of more bonds. In that case, guess who is likely to end up holding the Old Maid?

James C. Graw
Port Huron, MI

Mr. Cobb replies: I am sorry that my article has been misread—I certainly never argued that deficit spending or a ballooning national debt are good things. The main point of my article is that opposition to current lascivious fiscal policy ought to be based on some arguments stronger than the (wrong) assertion that a growing national debt must eventually cause inflation.

Inflating the money supply makes the debt burden more difficult to carry, because it drives up interest rates. The debt burden is bad enough—a transfer payment from workers and taxpayers to bondholders and their children.

If the government resorts to inflation in the future, for whatever reason, the debt burden will grow heavier—not lighter. This is due to the nature of a modern, credit-monetary system that has no anchor in gold or silver coins. All of the "conventional wisdom" about the debt leading to inflation tacitly assumes a classical monetary system. If you check your premises, and remember that politicians are self-seeking individuals, the prediction about inflation disappears.

I just wanted to make the point about the treacherous nature of our monetary system, because if we can kill the idea that inflation is somehow a solution to economic problems, maybe we can prevent Congress or some future president from adopting inflationary policies. Inflation is not a solution to excessive debt, which is an economic evil for reasons that have nothing to do with inflation. I certainly do not advocate deficit government spending, which only makes the future problem worse.

The long-run problem of the government debt is the same as the problem with every other transfer-payment "entitlement" program: it works against the system of incentives, reward for achievement, that makes a free market dynamic. Interest on government bonds, paid to the grandchildren of today's upper class,

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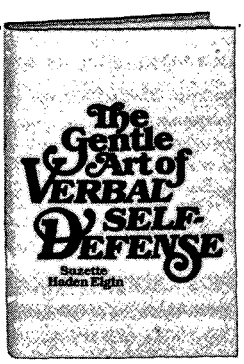

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letters

is a future social problem—not a current economic problem.

But most important, let's face reality about the debt: nothing is gained by telling ghost stories about inflation, which are not believable. That's a sure way to revive the old Keynesian nonsense that "we only owe the debt to ourselves."

Contra Wheeler

Jack Wheeler's series of reports on visits to rebel groups (see, most recently, "The New Liberation Movements," June-July) has been very interesting, but I am uncomfortable with his implied suggestion that the US government assist them.

US government aid to the rebels—on the grounds that they are anti-communist and speak of freedom or individual rights—could only be justified if the US were in *immediate*, serious danger. Not even in Central America can that case be made. The Sandinistas *may* eventually build bases to be used by the Russians; let's cross that bridge when—or if—we come to it. Even that scenario probably doesn't meet the clear and present danger test.

In each of the situations that Wheeler describes, except Afghanistan, it's very difficult to tell who the good guys really are. The situation in Central America is murky, to put it mildly, with significant indigenous support on all sides, with reports of atrocities being committed by all sides. No one can be sure that the contras would not be as evil as Somoza or the Sandinistas.

In Angola, Jonas Savimbi is creating a whole cult based on his personality. What will he, or his followers, do to the opposition, once in power? And in Kampuchea, the rebels take arms from the Chinese communists to fight against people armed by the Russian communists. Maybe expediency, maybe necessity, maybe a sign that the US government had better keep its distance.

It appears that in Afghanistan there is clear-cut good and evil. But the US government has no national security interests to protect here. "Stopping communism"—the old domino theory—is not enough. And anyone who has watched our State Department and CIA over the last few years knows that they'll screw it up, anyway.

Perhaps Wheeler could be working toward repeal of the laws that prevent US citizens from providing military aid privately. If he succeeds, however, supporters of the regimes he opposes will also be out there seeking money and arms from US citizens. No one ever said that the good guys would always win in a free society.

We can cheer for the rebels, some of us can adopt a guerrilla, but please, don't propose using my tax money to buy arms for groups that I haven't personally chosen to support.

Lou Villadsen
Santa Barbara, CA

Where Have All Our Values Gone?

I confess embarrassment. Edward Cline's splendid essay in your August issue ("What Are People Really Nostalgic For?") evoked in me a sense of... well, of nostalgia. I began to yearn for a time when essays of such quality were commonplace. I began to lament the passing of the Enlightenment, whose children could integrate such diverse social phenomena with comparable fluency and eloquence.

By implication, Cline's essay demonstrates the inadequacy of any case for liberty grounded solely in politics or economics. And by contrast, it demonstrates the rich persuasiveness and explanatory power of an interdisciplinary perspective grounded in a philosophy of reason. His is the sort of *cultural* analysis too long absent from journals promoting liberty: an analysis rooted in *values*, rather than floating political "axioms." The essay is a credit to its author and its publisher. I look forward to seeing more of the same from both.

Robert James Bidinotto
New Castle, PA

Airports, 1985

Robert W. Poole's editorial in the August issue ("How Not to Privatize") hits the nail on the head. Shifting activities from higher to lower levels of government is not privatization. It represents balkanization.

Also, Poole's speculation—that the Grace Commission was incorrect in concluding that no one would bid on the federal government's National and Dulles airports—is correct. For example, Lockheed Air Terminals, Inc., has expressed—through the Joint Economic

letters

Committee, where Sen. Steve Symms (R-Idaho) is holding hearings on "Privatization of the Federal Government"—an interest in various privatization options for National and Dulles.

Steve H. Hanke
Joint Economic Committee
Washington, DC

If Johnny Came Marching Home

Tibor Machan's editorial "The Defense Difference" (Aug.) failed to examine how much of the defense budget is actually for defense and how much is for foreign intervention. Most of our troops are stationed outside the United States. Recent studies have shown that our military budget could be substantially reduced by concentrating on defending our own citizens.

Philip C. Washburn
Reston, VA

House Corrections

Your August Spotlight column about me was well done, but it needs some corrections.

First, I'm *not* the "most widely published architectural writer in the world." I *will* be at some point during the next year or so, but for now that's a misstatement which a visit to any library would quickly reveal.

Second, although I lecture at times at UC Berkeley architectural school, I *don't* teach there as a member of faculty. To suggest otherwise would discredit me badly.

Third, the "girl friend" cited in the article was my mate and business partner for many long years and deserves acknowledgement as a full partner in many years of my work: Marjorie Zak, then Marjorie Stitt, and now Chandler. I expect you'll see many valuable contributions from her in the international human rights scene in the years to come.

Fred A. Stitt
Orinda, CA

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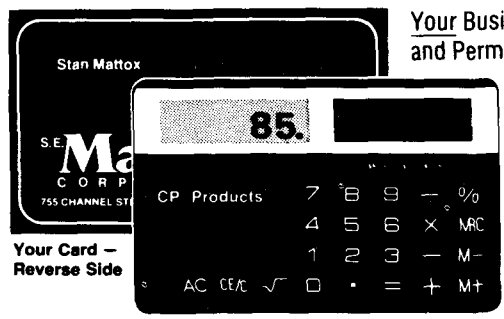

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Do You Want Your Bank Run Like a Utility?

Robert W. Poole, Jr.

Do people have a right to a bank account? That's the contention of a number of self-styled consumer advocates and their allies in Congress and state legislatures. Figuring that a bank account has become a necessity of everyday life, they want government to force banks to offer "lifeline" accounts, set rules for check-clearing, and otherwise control and regulate what are, after all, voluntary transactions between banks and customers.

The litany of complaints is becoming familiar. During the past few years most banks have significantly increased what they charge for checking accounts and have begun charging for many other services that used to be offered free. Banks have also been closing low-volume, low-profit branches—often substituting much lower-cost automatic teller machines. And many people complain about the length of time banks hold deposited checks before clearing.

Behind the critics' case for "banking for the people" is an unstated premise: that the modest amount of banking deregulation since 1980—basically, the removal of price controls on interest rates—has made bankers more venal. In fact, bankers are no more (nor less) profit-minded than they ever were. What has changed is that for the first time since the Depression, banks are having to *compete*—on prices, not amenities—to attract depositors. This has led to much better deals for savers (remember the old 5¼ percent passbook accounts, the *only* savings option?). But of course, the money to pay higher rates on savings has to come from somewhere.

Like the newly deregulated airlines and telephone companies, therefore, banks have been shifting to cost-based pricing, attempting to make each category of account pay for itself. They have also, in the newly competitive environment, had to take a harder look at costs. Hence the shift from labor-intensive branch banks to a dispersed network of teller machines.

The problem of checks clearing, however, is nothing new. It is caused not by deregulation, as much recent rhetoric would lead one to believe, but by the archaic payments system operated by our central bank, the Federal Reserve. This $500-million-a-year payments system has built-in incentives for participants to stretch out the "float"; in effect, the Fed *subsidizes* long clearing times.

As J. W. Henry Watson pointed out recently in the *Wall Street Journal*, though, the Fed's way of running a check-clearing system is not the only way. In Canada, the equivalent system is unregulated and privately operated. And its privately devised clearing rules require *retroactive debiting*, so a bank that receives a check for payment debits the customer's account as of the date the check was originally deposited. Voila—no float! And no opportunity for E. F. Hutton-style finagling, either. Checks in Canada clear overnight, nationwide. Britain and Japan enjoy similar float-less systems.

So the populists have it all wrong. Banks are not exploiting consumers under deregulation. A more-competitive environment is simply making costs more explicit. As a group, consumers may be paying more in service charges, but they're making up for it in interest-bearing checking accounts and money-market rates on savings. And it's the Fed, not the banks, that is the villain when it comes to check-clearing times.

In their zeal to impose new regulations, the populists ignore the significance of the competitive forces already at work in the marketplace, as well as those that could be unleashed if Congress would truly deregulate banking in this country. The Ralph Nader organization Public Citizen, when it surveyed financial institutions in Washington, D.C., found that savings and loan associations were giving the banks a run for their money: while nearly all of the 25 banks in the survey required a $1,000 minimum balance for free checking, all eight S&Ls had minimums under $500, and two imposed no monthly service fees at all. Similarly, in California 21 S&Ls surveyed by San Francisco Consumer Action offered lower minimum balances, smaller service fees, or better terms on loans than the 39 banks surveyed.

Meanwhile, Sears, Roebuck, the giant retailer that is fast becoming a nationwide financial supermarket, is lobbying hard for government permission to set up "consumer banks" in its stores, not allowed under current regulations that supposedly protect consumers! The banks envisioned by Sears would be free to take deposits from anyone and to make loans to individuals and small businesses. A key ingredient of Sears' formula is to offer free checking accounts with no minimum balance, a lifeline account (similar to what is already offered at all of Sears' California S&Ls), and interest on deposited checks from the day they clear for payment. To its credit, Consumers Union has endorsed the Sears endeavor—but the other leading consumer organizations (Consumer Federation of America, to name one) have remained silent.

Nader's Public Citizen group is actively *opposing* the consumer bank idea, even though it offers the features the banking populists are crying out for. Rather than rely on competition from an expanded marketplace, Public Citizen is working hard to impose "new and improved" consumer-protection regulations on existing banks and S&Ls. The ultimate goal, in the words of Rep. Fernand J. St Germain (D-R.I.), the high priest of banking regulation, is to make

editorial

financial institutions into a kind of regulated public utility.

What's ironic about this latest populist cause is that it comes at the very time when the intellectual basis for public utility regulation is crumbling. In field after field—airlines, trucking, taxicabs, telephones, cable TV, even electric power—the old assumptions of "natural monopolies" and the need for regulation are being challenged, both by new technology and by a more sophisticated understanding of the political-economic process. More and more thoughtful economists are concluding that public utility regulation has not protected consumers. Instead, it has tended to *create and maintain* monopolies.

What's needed in banking is more competition, not public utility regulation. Retail chains should be allowed into the field. The archaic prejudices against statewide and nationwide banking should be swept away. And the Fed's creaky check-clearing system should be privatized—or this function simply left to the marketplace. Let competition rip. On the evidence we have already, consumers would be served far better by all-out competition among Sears, Penney's, K-Mart, American Express, Merrill Lynch, Chase Manhattan, Citicorp, Bank of America, and the local banks and S&Ls—better served than by any conceivable regulatory straightjacket.

notes

***REASON* is on the newsstand** in a growing number of cities across the United States, we're happy to report. It's difficult for a magazine of ideas, and one that isn't a household word (at least not yet!), to break into the big markets. Our liberal counterparts attribute this to monopoly power held by the distributors, the "middlemen" between magazines and retail outlets. (I recently attended a conference where this was a big complaint. In fact, some of these magazines want the government—at taxpayers' expense!—to provide racks at newsstands for struggling idea mags.)

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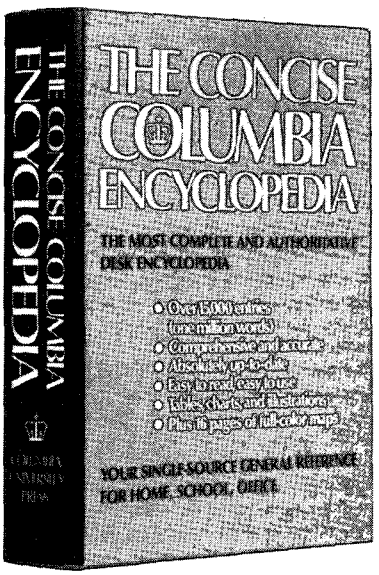
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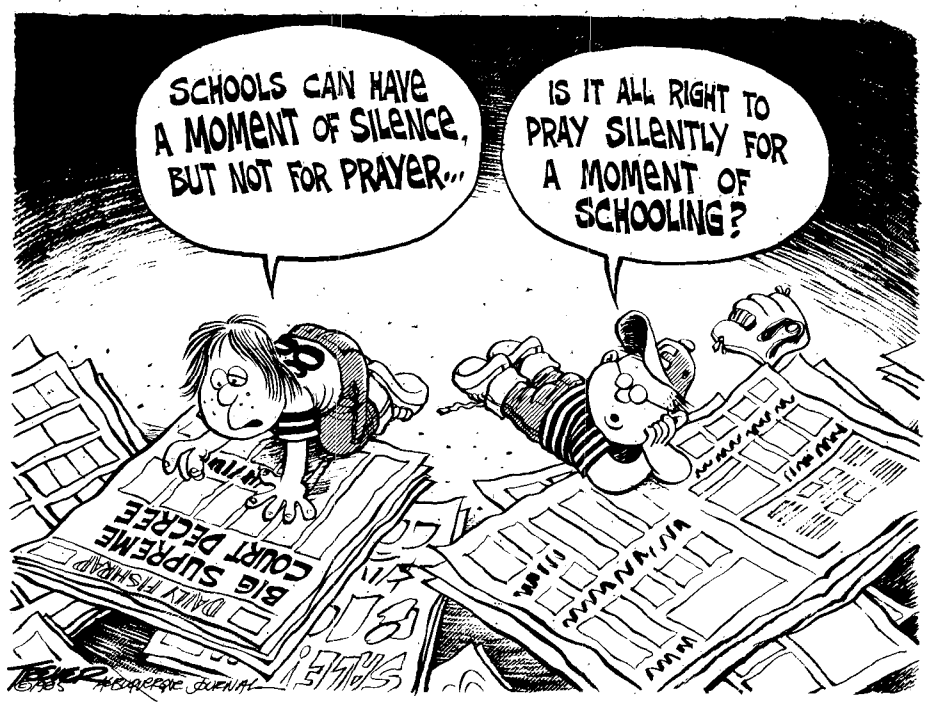
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BIG SUPREME COURT DECREE
DAILY HISHMAP

How much is that doggie in the overcoat, comrade? Thanks to chronic shortages and the prohibitive price of consumer goods, Moscow pet owners are turning their cats and dogs into hats and other fur clothing. Now, turning frisky Muttnik into a pair of gloves is surely a distasteful business, but that's not why Soviet newspaper *Trud* condemns the practice. The paper sees evidence of illegal income in every fur collar. "Our Dinka has six of a litter each year," says a woman who was challenged to defend her fur hat. "We keep them for 12 months. We skin them ourselves. We've made fur coats for our daughters. Now it's my turn for a hat."

Where's Aladdin and his lamp when we really need him? The classic *Thousand and One Nights*, which includes the tales of Ali Baba and the 40 thieves, Aladdin and his magic lamp, and Sinbad the sailor, has been declared obscene by an Egyptian judge, who ordered 3,000 confiscated copies of the book destroyed. Said by scholars to contain stories over 1,000 years old, the work also includes steamier scenes, like the seduction of a poor porter by three young maidens. The Interior Ministry has confiscated two editions of the work and charged a publisher and three booksellers with misdemeanor violations of pornography laws for printing, importing, and distributing it.

Paranoia has cash value. Just ask Gary Pearl, a former Louisville, Kentucky, city sanitation supervisor. A judge ruled that Pearl should receive $231 in weekly disability payments because of his fear of working with black people. Pearl left his job after suffering what he claimed was a nervous breakdown brought on by the stress of working with blacks.

New York City restaurants are allowed to hire musicians to play pianos, organs, accordians, guitars, and other string instruments, but brass, woodwinds, and all other music-makers are illegal. Why? Noise pollution. "For no rhyme or reason, the law discriminates against certain musicians whose livelihood has been hurt for years and it does nothing to limit the volume of a juke box or the sound equipment of a disco," says John Glasel, president of Associated Musicians, Local 802, and a soprano tuba player. Glasel and seven other jazz veterans played a gig on the steps of City Hall to protest the law. Their battle cry: Free the fipple flute!

What's the world's least stable country? Bolivia is the clear winner. The South American nation has had seven presidents or military leaders (the distinction is often blurry) in the past six years. The heavily indebted country has frequent strikes over wage demands. Even with nominal pay increases, most workers' earnings have sharply fallen as the annual inflation rate reached more than *15,000 percent* in recent months. If not for the lucrative trade in cocaine, things would be even worse. Has there been a year when Bolivia was prosperous? Francisco Quispe, a 60-year-old retired man: "I can't think of one."

Emir Bjelajac, a Yugoslavian immigrant, was in the midst of a cross-country flag-waving tour when he was stopped by police in Bar Harbor, Maine, for suspicion of stealing an American flag. An outraged Bjelajac refused to produce identification. The police took him in, checked him out, then freed him. But the feisty immigrant demanded that police drive him to the spot where they'd picked him up—about 100 feet from the station. The cops refused, then charged him with criminal trespass. When Bjelajac banged a police typewriter in disgust, the cops rearrested him on a disorderly conduct charge. Bjelajac now refers to Bar Harbor as Little Russia.

It now costs every New York City new-car buyer an extra $100 for the privilege of dodging killer potholes and trying in vain to find a parking spot. The Sanitation Department reported towing a record 62,181 abandoned cars last year. So Mayor Ed Koch decided that every owner of a newly registered vehicle should pay the city $100 as a kind of security deposit to be refunded only when the life of the auto ends and it is placed in a legal dump site. Sanitation Department spokesman Vito Turso says, "It's like paying security on an apartment, in this case an apartment on four wheels."

—Mark Edward Crane

Why will the developing economic crisis affect religious values?

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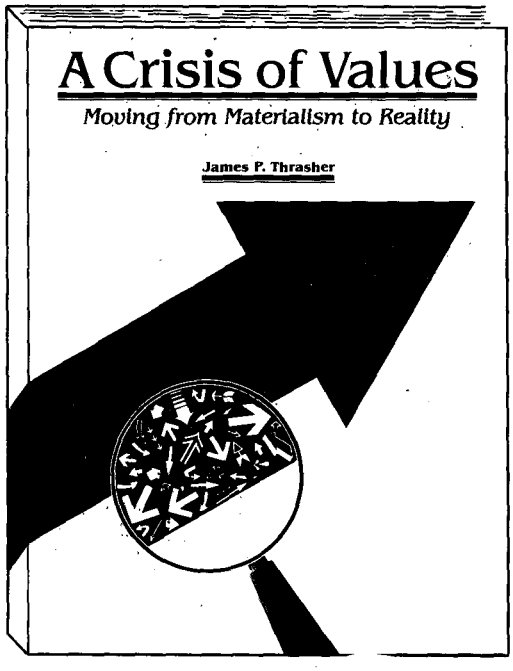

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trends

How the Well Is Running Dry On OPEC's Cartel

Cartels, free-market economists have long maintained, cannot last unless propped up by governments, because they have no way to enforce their agreements to limit supplies and keep prices high. Members "cheat," and the cartel falls apart, a victim of market forces and human nature.

The Organization of Petroleum Exporting Countries (OPEC), however, seemed to many observers a counterexample to economic doctrine. With average annual oil-price increases of 32 percent during the '70s, the cartel seemed invincible.

Since 1980, however, OPEC has been in decline and now appears to be gasping its last breath. "It has taken a while to get there," *Fortune* writer Daniel Seligman recently observed, "but OPEC is now a solid textbook case of why cartels come apart."

The 13-member organization's imminent disintegration, in fact, is occurring "in ways predicted by cartel theory," Seligman noted. "Years of holding prices at monopoly levels have reduced consumption, brought an avalanche of new production into play, and triggered boundless chiseling by cartel members fighting for their shares of a shrinking market." Reacting to the ever-escalating OPEC price—which peaked at $36 per barrel in 1980 (and stands at $28 in mid-1985)—global oil consumption has dropped 20 percent since 1979, as users either learned to conserve or switched to other, less-expensive fuels.

Meanwhile, non-OPEC oil-producing countries increased their production to harvest profits from the high prices. And as prices began to fall, several OPEC members—Nigeria, for instance—began producing more than their agreed limit and selling it for less than the official OPEC price.

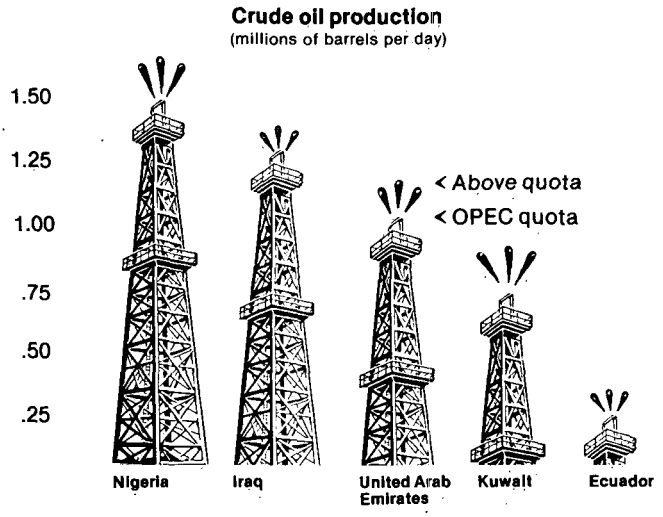
Saudi Arabia, the cartel's leader, has been playing the patsy to the organization's cheats, cutting back its own production to half its authorized quota of 4.3 million barrels a day to make up for overproduction by others. But the country is nearing its breaking point, for its low level of production has brought its real oil income down to almost one-tenth of its former high. This fiscal year, Saudi Arabia will likely have the largest government deficit—$20 billion—in the world after the United States. Salaries have plummeted, and people are leaving the country in droves—50,000 a month according to a recent *Wall Street Journal* report.

The Saudis now face tough choices, a situation brought about by the very nature of the cartel. As S. Fred Singer, an economist at George Mason University, recently observed in the *Wall Street Journal*, the Saudis have essentially three options: (1) lowering the price of their oil and increasing production, a move Singer describes as "politically risky" for the Saudis, because "it would hurt energy producers geographically close to Arabia, including Iran, Iraq, Libya and Egypt"; (2) keeping their production level low and reducing the price only slightly, which "would simply keep the oil glut going" and put more downward pressure on prices; and (3) initiating an all-out temporary price war, in hopes that wayward OPEC members will see the light and come back into the fold.

How would crashing oil prices affect the world generally? Though there certainly would be economic casualties—heavily indebted Third World nations, for example, that rely on their oil exports to make loan payments—"the benefits of cheaper oil swamp those negatives," as *Fortune* writer Aloysius Ehrbar recently put it. With plummeting oil prices, for instance, gasoline prices would turn down as well, saving millions for consumers, and airlines and their passengers would similarly benefit from a drop in plane-fuel prices. "Cheaper oil would gradually work through to the prices of chemicals, plastics, synthetic fibers, toys, sailboats, and millions of other products," Ehrbar observed, and eventually stimulate "a drop in short-term interest rates that should accompany a decrease in inflation."

The lesson to be derived from OPEC's demise is not that cartels can wreak no havoc (obviously, they can), but that they cannot elude the forces of the marketplace—even without antitrust laws to break up such combinations.

The Crumbling Cartel



Of OPEC's 13 members, these five renegades are producing significantly more crude than their quotas as they try to increase their oil revenues in an already-glutted world market.

It's a Beautiful Day in the Neighborhood

Mad as hell about inefficient and intrusive government but don't know what to do about it? Have we got an idea for you: start a "self-assessing homeowners' association."

Don't be put off by the daunting title. A new report prepared by the Washington, D.C.-based Sabre Foundation for the Joint Economic

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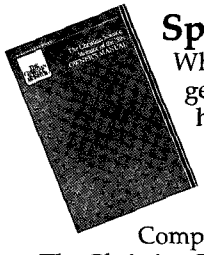

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Committee of Congress details the purpose and practice of these innovative organizations. It also recommends several steps that federal, state, and local governments can take to encourage the formation of homeowners' associations and "neighborhood development organizations."

Homeowners' associations are composed of property owners who band together and provide neighborhood services that are usually provided by government—such as street maintenance and lighting, snow removal, trash collection, fire protection, and transportation. Because association members enter into deed-based agreements to share the costs of these services, the enthusiasm burnout and spotty participation that plague many other voluntary civic organizations are not problems.

What good are homeowners' associations? The Sabre Foundation report notes that they are able to pick and choose among various service contractors—garbage collectors, for instance—thus saving members money. In addition, most associations require that property be kept in good repair, which prevents neighborhood physical deterioration and keeps property values up. Increased neighborhood-watch activities, usually required by property deeds, reduce crime rates and further serve to increase property values.

Nothing begets imitation like success. In the last two decades the number of homeowners' associations has skyrocketed from 500 to more than 25,000. Most are located in new subdivisions and new communities where developers require membership in the association as a condition of sale. Homeowners' associations are a good deal for middle- and upper-income neighborhoods, but they are not common in poorer areas. That's where neighborhood development organizations (NDOs) come in.

NDOs furnish social services—low-income housing, job training, day-care services—to disadvantaged members of the community. Unlike homeowners' associations, they do not rely on property-owner dues. Until recently, most were financed by federal grants and philanthropic foundations. But creative NDOs have begun to raise money by buying and developing real estate—some NDOs are raising as much as $400,000 yearly in this manner. The organizations can then finance social services that would otherwise be billed to the beleaguered taxpayers.

Sounds neat? Well, there are a few flies in the ointment. Tax policy, for one thing. Many homeowners' association members are floored by a double whammy—they pay association dues to finance certain neighborhood services yet must also pay the usual local taxes for municipal services they've opted out of. The Sabre Foundation recommends that localities follow the examples of Houston, Texas, and Kansas City, Missouri, which extend tax rebates to homeowners' associations that provide their own refuse collection.

To encourage homeowners to join new associations, the Foundation suggests that governments offer "challenge grants." These grants would usually be in the form of tax relief to association members once a specified percentage of a neighborhood's residents sign up.

A third recommendation, intended to wean NDOs from public support, is for governments to transfer idle public property to NDOs, which can develop the properties and use the proceeds to become self-supporting.

The Sabre Foundation report gives clear evidence that homeowners' associations and neighborhood development organizations can save taxpayers money, reduce the size of government, and promote community self-sufficiency. Now that's a good deal. Power to the neighborhoods!

The FDA Delivers A Dose of Common Sense

When the Food and Drug Administration (FDA) recently declined to ban 10 food dyes, it challenged the sanctity of one of the sacred cows of the regulatory state: the Delaney Clause. The FDA had been petitioned to ban the dyes under the Delaney Clause by self-styled consumer advocate Sidney Wolfe's Health Research Group (REASON readers were introduced to Wolfe and HRG in "It's Effective—But Is It Safe?" March 1985).

The Delaney Clause is a perfect example of government good intentions run amok. Enacted by Congress in 1958, the provision bans any substance used in commercial food processes if that substance has been shown under any circumstances to cause cancer in animals or man. It sounds reasonable, but in practice the clause has been used to ban substances no matter how *small* or *questionable* the risk of cancer. And it lets bureaucrats make decisions for individuals—such as whether or not to use products such as saccharin.

FDA Commissioner Frank Young explained that the commission's rejection of the food-dye petition was based on the legal concept of *de minimis*—that the law does not concern itself with trifles. The cancer risk posed by the food dyes in question is so minimal, ruled the FDA, as to be immune from the Delaney Clause by the *de minimis* standard.

Consumerists were livid at the decision, which marked a new turn at the FDA. "It's as brazen an evasion of the law as anything we have seen during the Reagan administration," gasped Rep. Ted Weiss (D-N.Y.). Sidney Wolfe charged that the FDA's philosophy of regulation is a throwback to "an era before the 1900s, when industry was self-regulatory." The *Wall Street Journal* had a more restrained and more sensible response. "Every bureaucrat and congressional staffer in town," editorialized the paper, should carve "two useful words into his desk as the capital's new motto: De Minimis."

You Can't Drive Away From the Price You Pay

The federal government prohibits tolls on all but a few special segments of the Interstate Highway System. (One notable exception is New York's Thruway, which was built by issuing state bonds in the early 1950s.) The purpose of this prohibition is to keep the interstate system "free." But as we learn every time we drive up to the gas pump or buy a new tire for our 18-wheeler, there ain't no such thing as a free lunch. The great virtue of toll roads is that those who use 'em pay for 'em, making for more economic decisions on the part of both road builders and road users.

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trends

1956, construction and maintenance of the 42,000-mile network of roads has been financed by the Highway Trust Fund, which raises about $11 billion annually through taxes levied on gasoline, tires, tubes, and truck parts. Today, with more than 98 percent of the interstate built, the Highway Trust Fund goes toward maintaining the system.

Every few years someone notices that the revenues raised by the trust fund can't keep pace with the construction and repair costs of the interstate, so political Washington responds in the best way it knows how—by raising taxes. (The last increase was in 1982, when "our decaying infrastructure" was saved by jumping the federal gas tax from 4¢ per gallon to 9¢ per gallon.) Transportation analysts are now predicting that the fund will run dry by 1990 unless Congress jacks up the gas tax by another 2¢ per gallon. But an alternative to a tax hike is being bandied about our nation's capital these days—toll roads.

The push for tolls is coming from the Transportation Infrastructure Advisory Group (TIAG), a coalition of primarily business organizations that is promoting tolls as an alternative to tax increases as a method of financing interstate repairs. Founded just over a year and a half ago, TIAG is helping to change the terms of debate in the Washington transportation community. TIAG Project Coordinator Donna Marshall Constantinople told REASON that while they were a nonissue until very recently, "today toll roads are on the agenda and are being talked about." Sen. Lawton Chiles (D-Fla.) has introduced legislation embodying TIAG's proposal.

Public resistance to new taxes may be sparking a toll road renaissance. As BASIX Corporation Chairman Donald T. Beldock, a founder of TIAG, recently asserted in *Financier*, "The pendulum is starting to swing back" from tax-financed public works to user fees, and "tolls as a funding source are once again gaining popularity." Skeptics need look no farther than to northern Virginia for evidence of this trend—Washington, D.C., is now linked to Dulles International Airport by the capital's first toll road.

A new toll road is also being built in DuPage County, Illinois. Even California, which has a long history of stubborn opposition to toll roads, is taking a closer look. "I think it would be worthwhile for California to realize what the rest of the country

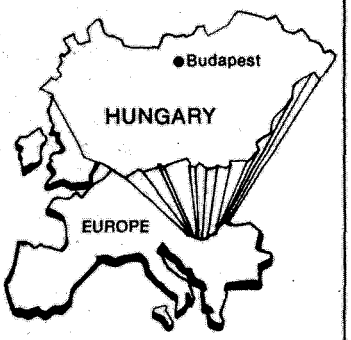
global trends

From Marxism to Millionaires

HUNGARY—"If you hack in cabs or on computers, and if you have to work in a centrally-planned economy," says *The Economist*, "then almost everybody knows that Hungary is the place to be."

A series of reforms over the last 15 years has loosened the fetters on Hungarian entrepreneurs, who in turn have made this the most economically vital nation in the Warsaw Pact. The queues and chronic shortages endemic to Communist countries are comparatively rare in Hungary, whose bustling streets and thriving small shops stand in marked contrast to the commercial torpor of the Soviet Union.

The major reform that unleashed much of this energy was a 1982 act legalizing small private businesses. In the last three years, reports the *Los Angeles Times*, 320,000 Hungarians—6 percent of the labor force—have



joined to form 23,000 "small ventures," ranging from car repair shops to hairdressing salons. And this is in addition to the 150,000 farmers and shopkeepers whose private activities were legal before the 1982 reform.

A shining example of the Hungarian entrepreneurial spirit is Zoltan Palmai, owner of Budapest's three-star Hotel Victoria, the only privately owned hotel in the Soviet Bloc. The gregarious Palmai, who dreams of becoming an Eastern European hotel magnate, labors under government regulations restricting him from employing more than nine people—comparable state-owned hotels have staffs three times as large—and 65 percent of his receipts are eaten up by taxation. Yet he pushes on, indefatigable, observing that "socialism doesn't have to be a social system of the poor."

Indeed it doesn't, at least in Hungary. The *Los Angeles Times* reports that Hungary may contain from 10,000 to 15,000 millionaires (the most notable is Erno Rubik, inventor of Rubik's Cube), a social blight that drives hard-line Marxists up the wall. Equally maddening to the Stalinists was a recent article in a government newspaper arguing that disparities in wealth are a necessary consequence of competition and efficiency and that all Hungarians will profit from the "acceptance of exceptionally high personal incomes."

There are limits to how much freedom Hungary's rulers will allow. Russian tanks, which quelled a popular uprising in 1956, remain ready to roll. But the spirit of enterprise is alive and well and on display in this remarkably resilient nation.

Flying toward Freer Flight

LUXEMBOURG—Internal pressure to deregulate the Common Market's airline industry continues to mount, with significant developments in the last few months. Over the summer, aviation chiefs of the 12 Common Market nations joined with those of 10 other European countries in issuing a policy statement calling for airline deregulation throughout the continent. The officials, who met under the auspices of the European Civil Aviation Conference, urged their national governments to ease both fare and route restrictions.

Soon thereafter, the European Court of Justice, the

(Continued on page 18)

is talking about," remarked a Bay Area transportation official recently.

Altering public policy is often a slow, fitful process. The first step is to get policymakers to listen to your ideas and to take them seriously. Toll roads advocates are making good progress on that first front.

There's "Private" Deposit Insurance, And Then There's Private Deposit Insurance

Financial Institutions Assurance Corp., founded in 1967 in North Carolina, insures the deposits of 68 savings institutions in four states. A FIAC-insured institution has never gone belly-up. This is not extraordinary news, but it is noteworthy; for FIAC is a completely private deposit-insurance company—a kind of entity that many say can't work. To these critics, only some form of government-provided insurance will do, such as the predominant federal system that includes two main institutions, the Federal Deposit Insurance Corp. and the Federal Savings and Loan Insurance Corp.

Skepticism about private deposit insurance was in much evidence earlier this year when savings-and-loans in Ohio and Maryland ran into trouble and their so-called private insurers failed. But as policy analyst Catherine England recently pointed out, while the Ohio and Maryland insurers were private in name, they were not private in practice.

Those institutions, though privately owned, "were creatures of their state legislatures," England wrote in a study published by the Washington, D.C.-based Cato Institute. "The state legislatures established the rules under which they operated, defined acceptable and unacceptable activities for the institutions they insured, and basically made the state insurance funds subservient to the state banking commissioners."

In a *Wall Street Journal* oped piece, England contrasted the practices of the private FIAC with those of government deposit insurers, noting that while FIAC "exercises extensive oversight and disciplinary powers" over the institutions it insures, it simultaneously enjoys a flexibility of operation "that federal authorities, subject to political and legal constraints, cannot match." For example, FIAC charges different premiums, depending on an institution's soundness—whereas the federal insurance system charges the same rate to all institutions, whether they follow super-safe or highly risky banking practices.

Meanwhile, a proposal to introduce the prudent practice of variable rates into the federal system must go through the wringer of the political process. Even if it were enacted, England suggested in the Cato study, a federally imposed variable-rate premium would, for obvious reasons, be tailored to political purposes. "Indeed," England noted, government "risk-related premiums conceivably could be used to promote social goals," with certain groups given preferential treatment.

The Cato study advocated

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that the current government system of deposit insurance be replaced by private insurance. The competition and diversity of a true private insurance industry, the study contended, would create a much more dynamic banking system. To get there, analyst England suggested that private insurance be phased in through a "tiered" system: financial institutions would be able to buy insurance from both government and private insurers—100 percent from either type, or portions from both—and be freed of federal regulation to the degree that the institution has given up government insurance. "Forgoing its federal deposit guarantees," therefore, "would leave a bank totally deregulated."

The proposal is an elegant one, for it allows banks and savings-and-loans to individually decide how much government security to trade off for more freedom in the marketplace, while providing incentives for the growth of private deposit insurance. Policymakers should be lending their ears.

Let's Hear It for Tax Wars!

When the dust settles, the current round of tax reform may not reduce by much the overall federal burden on America's beleaguered taxpayers. But analysts are predicting that eliminating the deduction of state and local taxes could spur those governments to cut taxes and make corresponding cuts in the size of their governments.

In eliminating the deductibility of state and local taxes, the Reagan tax plan could send taxpayers in high-tax states running to their public officials and clamoring for tax relief—or send them running to lower-tax states. All this could lead to a new "tax war" among the states, predicts *Business Week*—"a battle over who can slash taxes most."

Politicians in high-tax states are terrified by the specter of hordes of overtaxed citizens demanding tax reductions or else. New York Gov. Mario Cuomo, for example, turned up in Washington to lobby against the measure. As Cuomo sees it, his state would be dumped betwen a rock and a hard place. Either taxes would be kept high and people would leave New York for lower-tax pastures, or taxes would be cut and the quality of life would decline because of concomitant cuts in government services.

But as Prof. E. S. Savas of the City University of New York recently pointed out in the *Wall Street Journal*, the governor needn't worry. State and local officials faced with diminished tax revenues have a proven alternative to letting garbage pile up in the streets: Privatize!

Evidence of the superiority of private over government provision of services such as trash collection and park maintenance "is now overwhelming and is no longer a matter of serious debate," opined Savas. He pointed to myriad studies—of subjects as disparate as street cleaning, prison operation, and city bus service—that have found that private companies can do it more cheaply and more efficiently than governments. For instance, a new study of 235 federal-agency contracts with the Office of Federal Procurement Policy shows that the cost of work done by government is *38*

global trends

(Continued from page 16)

Common Market's top-level court, took on a case that may well end up deregulating the airline industry more quickly. The court will specifically decide whether the French government is violating the Treaty of Rome—to which Common Market nations are bound—in controlling the price of airline tickets sold in France.

The French government is prosecuting a travel agency for selling tickets below government-set limits. But the Treaty of Rome, the travel agency's attorneys claim, prohibits such price regulation in its stricture against barriers to the free movement of goods among the Common Market nations.

Among those who strongly support that interpretation of the treaty are the British and Dutch governments, which have been leading the move toward airline deregulation in Europe both in rhetoric and in practice. Dutch and British airlines enjoy the greatest freedom from regulation among the Common Market nations, and last year the two countries agreed to liberalize air service between the two nations—with noticeable benefits for the airlines and travelers.

Aviation Week recently reported that in the first year the two countries eased air-transport regulations between them, lower fares generated 70,000 additional passengers between London and Amsterdam. "At least 10 new services were started," the magazine noted, including six that "involve city pairs that had not previously received scheduled airline service."

Such results are encouraging the British and Dutch to further liberalize service between the two nations. And Britain and West Germany earlier this year agreed to a similar regulatory relaxation. Since the agreement, six new services between the countries have appeared.

These results provide strong evidence of the benefits of deregulation. They're not likely to escape the attention of the European Court of Justice in its deliberation over the French price-control case.

Global Roundup

■ *Bulgarian plot to feed the pope?* Bulgarian rulers are allowing farmers more time to tend to their private plots—and the result is "a bumper crop," according to the *New York Times*. Though just 13 percent of the total land under cultivation is set aside for private use, these small private plots account for 27 percent of Bulgaria's total agricultural output.

■ *High finance.* Only months ago the Himalayan kingdom of Nepal established the country's first stock exchange, and trading in the 11 listed stocks thus far is reported to be brisk. All the stocks are in government-owned companies that last year King Birendra started divesting by selling shares to the public, and much more divestiture is planned. The exchange is part of a deliberate plan to introduce capitalism into the developing nation of 16 million people.

percent higher than contract work.

And with the elimination of state and local tax deductibility, privatization would have another count in its favor, notes Philip Fixler, the director of the Reason Foundation's Local Government Center, a privatization clearinghouse. Privatization often means turning to "user fees" instead of tax revenues to pay for services. But since state and local taxes—but not user fees—have been deductible, there is a bias in the system against user fees. Yet user-fee financing, Fixler told REASON, is a better route to privatization because it introduces prices and therefore incentives for efficiency.

So although "tax reform" is still "tax reform," this version may come with a modest silver lining. Citizens may succeed in cutting back on government at the local level and letting private individuals and firms show their stuff.

A Cold Bath Chases Away Protectionist Fever

A lot of politicians love protectionism. Foreigners make convenient (and nonvoting) scapegoats, and tariffs and quotas are nice ways to reward powerful industries and labor unions. But friends of free trade keep plugging away, and a trio of recent writings demonstrate just how cogent the case against protectionism is.

It may seem hard to believe that a nation's *exporters* would suffer from protectionism against *imports*, but it's true, say Kenneth Clements and Larry Sjaastad of the Trade Policy Research Centre in London, in a study called "How Protection Taxes Exporters." *The Economist* recently described their findings.

Imagine that a nation's steel industry has enough political clout to have tariffs imposed on steel manufactured by their foreign competitors. But the tariff has a ripple effect. Everyone who uses steel—like auto manufacturers—has to pay more for it; then consumers who buy cars have to pay extra at the auto dealer's; then consumers need higher wages so they can buy cars.

As *The Economist* notes, "the end result is higher inflation" in the country that has gone down the road to protectionism. And who is hit by inflation especially hard? Exporters. Why? Because inflation brings them (as well as other businesses) higher costs, and "they are the least able to recoup higher costs by charging higher prices," says the magazine. "They sell on world markets, and cannot raise prices there without being undercut by competitors."

All this is not idle theory. Clements and Sjaastad have compiled data from several countries indicating that exporters bear a big chunk of the burden of protectionism. Their portion of the burden exceeded 50 percent in Uruguay from 1966 to 1979 and in Chile from 1959 to 1970. It approached 70 percent in Australia from 1950

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to 1980, and even exceeded *90 percent* in Colombia from 1970 to 1978.

One of the most interesting parts of the study is a projection of what would happen to Australia's major exports if the government there imposed a 5 percent tariff on imports. As *The Economist* puts it, "The output of every export-biased industry falls with a thud." The five percent increase in tariffs would cause wages to rise by more than four percent, and export industries in turn would be 3.2 percent worse off. Thus, the study concludes that "more than 80% of the tariff increase [would be] converted into a tax on exports."

Protectionist myths took a further debunking in two recent *Los Angeles Times* opinion-page essays. Economist Robert J. Samuelson refuted the oft-stated canard that our manufacturing sector is disappearing (which is one of the key premises in the argument for protectionism).

Manufacturing *employment*, he noted, has fallen from 33.7 percent of nonfarm jobs in 1950 to 22.4 percent of nonfarm jobs in 1980. Yet manufacturing *output* in the United States has increased significantly over the last several years—it was 37 percent higher in 1979 than in 1969, and 7.2 percent higher in 1984 than in 1979. These figures suggest that, far from being moribund, our manufacturing industries are enjoying higher productivity.

Prof. Bernard K. Gordon of the University of New Hampshire likewise exposed several protectionist arguments as sham. First is the claim that America's exports are floundering in the world market. In fact, Gordon noted, the United States remains the world's largest exporter. The US share of the world market has not dropped below 12 percent in many years, and it has *increased* in the last year. And US-manufactured exports have fared even better, increasing their share of the world market from 17 percent to 20 percent in the last six years.

Gordon also took on the Japan-bashers. He pointed out that Japan bought $25 billion worth of goods and services from the United States last year, more than half of that in manufactured goods. And US exports to Japan are rising at a rate faster than the growth in Japan's economy.

Protectionist fever seems to break out in Washington every time an industry hits the skids. There is no known cure, but clear thinking of the kind displayed by Messrs. Clements, Sjaastad, Samuelson, and Gordon may yet provide an antidote.

More Reasons To Hail Taxi Deregulation

Once upon a time, there were about 420 taxicabs in Kansas City, Missouri. Now there are nearly 600. "Once upon a time" was last year, before the city deregulated its taxi industry by removing a limit on the number of cabs allowed to operate and by decontrolling fares. In those days there were only nine firms running cabs in the city—with one, Yellow Cab of Kansas City, Inc., dominating the market. But today more than 20 taxi companies are in the business, and Yellow's market share has dropped from 80 to 60 percent.

Craig Bates, president of Community Cab, Inc.—the city's second-largest cab company—told REASON that deregulation has spawned more innovation and a "wider diversity of services." The Kansas City deregulation, he suggested, is "the most successful deregulation experience in our industry's history." Bates, whose 1983 antitrust lawsuit against the city government (dismissed in early 1985) added to the pressure for deregulation, said that "there is no doubt that service has improved."

In fact, according to the city's taxi administrator, Judy Moore-Nichols, complaints over cab service have decreased since deregulation. And the *Kansas City Times* has reported that though the increased competition among cabs hasn't pushed rates down—at least not in the first year of deregulation—cabs have visibly improved their service to attract customers. "An upbeat strategy is emerging," the newspaper noted, "as companies jockey for profitability in a business that once was nearly given up for dead."

The experience of Kansas City, one of the more recent entrants in the trend toward taxi decontrol, offers yet more evidence to skeptics that cab deregulation doesn't result in chaos. In fact, the predictable increase in the city's available taxis suggests that urban chaos is thereby lessened somewhat—by maybe one or two fewer fights a day in the city dweller's continual travail of hailing a cab.

Milestones

■ *Workfare watch.* California's conservative governor George Deukmejian and liberals within the state's legislature have agreed on proposed legislation to reform the state's welfare system. Under the proposed bill, all able-bodied welfare recipients, including mothers of children older than six, would be required to either work, take vocational training, or attend school. During the first six months of a limited workfare program initiated at the beginning of this year, California saved $1.2 million.

■ *Incomparable sense.* "The wage gap cannot be closed by government intervention in the labor market." So declared Jeri Winger, president of the 500,000-member General Federation of Women's Clubs, in announcing the organization's opposition to the concept of "comparable worth." "An extensive imposition of subjective job-worth judgments would radically alter our present competitive market system," Winger noted, and "would force many small businesses out of business."

■ *Sorry, Norma Rae.* Five Reagan Cabinet members have written each member of Congress warning that pending legislation to slap quotas on textile imports would impose a "very high cost" on American consumers. The legislation is cosponsored by a majority in both the House of Representatives and the Senate.

■ *Dropping out.* Struggle as they might to promulgate the public-school system, schoolteachers unions and blind egalitarians may be fighting a losing cause. The Department of Education's National Center for Education Statistics reported that enrollment in the nation's private schools is rising. In 1984, 12.6 percent of US school children attended private schools, up from 11.5 percent in 1980. Among private schools, nonsectarian ones had the largest increase in enrollment from 1980 to 1984: 36 percent.

—Robert W. Poole, Jr., Bill Kauffman, and Eric Martí

Humanities' Ills

By Max Hocutt

The humanities are in deep trouble at America's colleges and universities. Since 1970, to cite some indicative figures, the number of English majors has fallen by 57 percent, the number of philosophy majors by 41 percent, history majors by 62 percent, and modern language majors by 50 percent.

A lot of people, however uneasy about the situation, accept it as inevitable. A liberal arts education, on this view, is nice enough, but not very useful. Students graduating with a degree in the humanities these days will like as not end up driving cabs. The liberal arts have declined on campuses across the land because students have wised up.

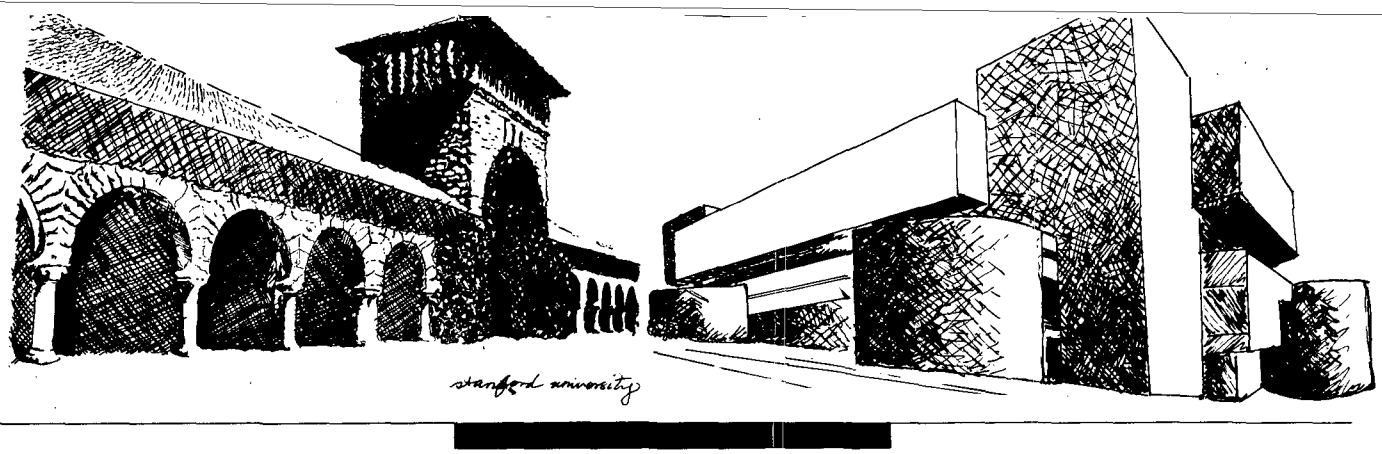
But other people think something should be done about the sorry state of the humanities. They've found a defender of their cause in William Bennett, the new secretary of the Department of Education, transplanted there from the chairmanship of the National Endowment for the Humanities (NEH).

At the NEH, Bennett was the author in 1984 of a much-discussed report on the issue, *To Reclaim a Legacy*. Citing figures like those on the decline of humanities majors, he concluded that the humanities "have lost their central place in the undergraduate curriculum." As a result, Bennett worried, "too many students are graduating from American colleges and universities lacking even the most rudimentary knowledge about history, literature, art, and philosophical foundations of their nation and their civilization."

On this view, it is important to revive the liberal arts education even if it's not very useful to students when they graduate. And the way to do it, in Bennett's book, is to improve the teaching of the humanities, returning to assignment of classic works, and to require students to take these courses, as in the old days.

In fact, however, the issue is not great jobs versus the Great Books. A closer look at "the traditionalists' " explanation, offered by Bennett, for the decline of the humanities shows that the diagnosis is wrong and the prescription therefore inappropriate. And a look at the real explanation for the decline shows a misperception in the widespread notion that the humanities, whether they should or shouldn't be revived for other reasons, are not very useful. Students are not leaving the humanities in droves because they want marketable skills whereas in the humanities' heyday they

You can hardly blame students for shunning the humanities when graduates can't get a job. But the real solution isn't more "required courses."



were less job-oriented. They are leaving the humanities because a liberal arts education no longer offers marketable skills, as it did in the old days—the intellectual skills that men and women need to prosper in a free society.

Dr. Bennett's Diagnosis

In the NEH's report in 1984, Bennett offered two explanations for the recent decline of the humanities. First, they are being poorly taught by undereducated graduate students and by tired professors who are too preoccupied with their scholarly research to care about their pedagogical duties. Bennett echoes William Arrowsmith, a professor of classics at Emory University and a member of the NEH panel that helped Bennett write his report. A generation ago Arrowsmith wrote a famous essay for *Harper's* in which he pointed out that instruction in freshman English is usually done by teaching assistants, not by professors. Arrowsmith called this "The Shame of the Graduate Schools." And it is.

Shame though it may be, however, it cannot explain the abandonment of the humanities for "practical studies" such as business and engineering. For unlike English, such humanities subjects as classics, philosophy, and religious studies are usually taught by full-time professors, who are often as enthusiastic about their teaching as about their scholarly activity; yet these subjects have also suffered a marked decline in enrollment.

Moreover, recent studies indicate that undergraduate students may actually prefer being instructed by graduate students, who are usually nearer their own age. In any case, schools of engineering and departments of computer science are overflowing with students who complain bitterly about the pidgin English of the foreign-born graduate students who teach them while the professors of engineering and computer science fatten their wallets consulting for private industry or researching for the government. Whatever students may think of graduate instructors, the cause of the decline of the humanities lies elsewhere.

Many of the current generation of college students either cannot or will not read anything more complicated than Cliffs Notes.

Bennett also attributes the misfortunes of the humanities to so many schools having jettisoned the so-called core curriculum, or required courses. He bemoans the fact that fewer than half our colleges require foreign language study for the bachelor's degree. Only 14 percent require the study of classical civilization. And only 28 percent require students to take a course in American history or literature.

Bennett believes that the once-widespread practice of requiring all students to take courses in history and philosophy instilled in the public the belief that these courses were important; abandoning these requirements conveyed the message that they were no longer essential to a well-rounded education, and students have simply responded accordingly.

This line of reasoning may be pleasing to those of us who wish to see our livelihoods protected by the reinstitution of a core curriculum requiring that the courses we teach be made necessary for a diploma. But it ignores an important piece of counterevidence: The core curriculum was weakened or abandoned in most universities by the early 1960s, but enrollment in the humanities did not begin to erode until the late '70s. Although languages lost large numbers of students immediately, the rest of the humanities actually prospered and continued to do so for nearly a generation—as did the social sciences, which are now in nearly as much trouble as the humanities. Both groups of studies could certainly be helped now by being added to a core curriculum; *but they were not hurt by being dropped from it.*

Bennett fails to notice this uncomfortable fact because he has a political axe to grind. He is a conservative, and he is unhappy about the misuse to which the humanities and social sciences were put in the '60s and early '70s, when they were turned from forces for moral and political conservatism into instruments of social change. Where they had once familiarized their students with the great artistic, literary, and philosophical achievements of the past, the humanities became, in Bennett's words, "the handmaiden of ideology, subordinated to particular prejudices." Where they had once taught respect for traditional ideals, values, and standards, they now indoctrinated their pupils in liberal, leftist, or even Marxist ideology.

Bennett wants to reverse this development. He wants college students to learn about St. Augustine and Shakespeare, not Ho Chi Minh and Jane Fonda. He wants them to read *The Republic* and the Bible, not engage in discussions of affirmative action and abortion. After all, he says, "the highest purpose of reading is to be in the company of great souls."

It would indeed be good to have college students reading the classics again, but

Bennett's proposal is suspect in several ways. In the first place, he assumes that students have the *ability* to read the classics and to benefit from doing so; this I doubt very much. Like most of my colleagues, I have long since (and very reluctantly) given up assigning original sources to freshman and sophomore students, something I did for nearly two decades. Now I assign very simply written textbooks that include brief summaries of the ideas that are stated more fully and eloquently in the classics themselves. I have never been happy about this, but I do it for one simple reason—many of the current generation of college students either cannot or will not read anything more complicated than Cliffs Notes. Many of them can't, or won't, even read textbooks. Their learning is limited to the material covered in lectures.

One wonders about the political motives behind Bennett's proposal. William Bennett is a conservative officer in a conservative administration that seems to regard the curriculum of the public schools, including public universities and colleges, as a prize it won in the last election. He is proposing, in effect, to use the curriculum for conservative moral and political purposes.

The public schools, however, are supposed to be ideologically neutral. In theory, they serve people of all persuasions and predilections; they do not cater to the interests and beliefs of particular religions or political parties. Using the public schools as an instrument of apology for the economic, political, moral, or cultural status quo is as illegitimate as using them as forums from which to preach the virtues of Marxism or the desirability of revolution.

Finally, the idea of a core curriculum is itself suspect in several ways. First, it reduces individual freedom of choice and personal responsibility, precious commodities that schools should encourage, not erode. Second, if the truth be told, few if any core curricula are determined on the basis of their educational merits alone. Instead, curricular matters are settled politically, usually by vote of the faculty. Like other people, university faculty members are likely to vote for proposals that favor them economically. No one is going to vote to eliminate his own job. We all want more money for our departments, regardless of how well we're performing our duties. So it's not surprising that many professors of engineering and computer science suspect that the new core curricula have been designed chiefly as welfare programs for impoverished departments of humanities and social science.

The rich and the talented have not abandoned the humanities; it is the Protestant working classes that have gone off to apparently greener pastures.

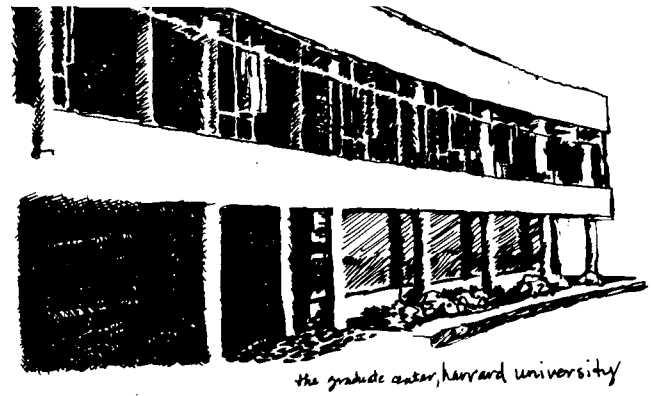
How the Patient Fell Ill

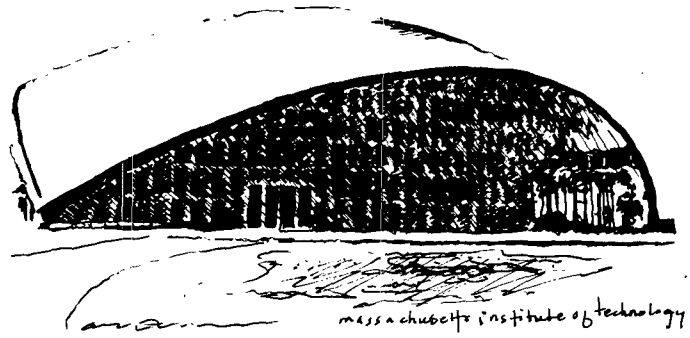
If Bennett's diagnosis is wrong, from what disease *do* the humanities suffer? And how can we cure them?

First, we must realize that the much-celebrated decline of the humanities has taken place not in the private but in the public colleges and universities. The humanities persist in the schools of the wealthy; they are perishing in schools attended primarily by the progeny of the white- and blue-collar working classes. There has been little drop-off in the quality of humanistic education at Ivy League schools such as Brown, Dartmouth, or Yale, where departments of philosophy, cultural history, and polite literature still thrive. Nor have Catholic schools and universities suffered much decline. The downward trend has occurred almost entirely at public schools of lesser prestige: the universities of Southern Illinois, Eastern Kentucky, Memphis State. and the like. To cite one example, the school at which I teach—the University of Alabama—has 20,000 undergraduate students and 6 full-time professors of philosophy. Princeton University, by contrast, has an undergraduate enrollment of 4,400 but has 19 full-time philosophy professors. The rich and the talented have not abandoned the humanities; it is the Protestant working classes that have gone off to apparently greener pastures.

Why have they done so? Remember that the humanities enjoyed a decade or more of rapid expansion before they began to collapse. During the late '60s and early '70s, American public higher education experienced the most rapid growth in its entire history, as the children of the working classes began enjoying college educations formerly reserved for the rich and the fortunate few with special intellectual talent. College education for the rich and smart has never put much emphasis on vocational training; it has traditionally included a variety of courses in the humanities and the fine arts. As the sons and daughters of the working classes entered college en masse, they were greeted by curricula designed for the wealthy.

But working-class kids are different. Unlike the rich, they do not inherit established law practices or flourishing businesses. They have to find jobs working





in somebody else's law practice or business, at least at first. And they are more likely to get those jobs if they have studied practical subjects such as tax accounting or electrical engineering rather than medieval philosophy or French *belles-lettres.*

It was not always so. For a very long time, employers were glad to have anybody with a college diploma. It did not much matter where they got it or what they had studied. Any degree from any accredited institution would do. IBM would even hire a philosophy major. But such uncritical enthusiasm for college training evaporated. Today, a degree from a public university in the humanities or social sciences is virtually unmarketable; one does far better with a diploma in nursing or social work. For members of the middle and working classes, the humanities have become highly expensive luxuries. So such students and their parents have very sensibly resolved to put their money, time, and efforts into more profitable enterprises. If they are going to study something, it might as well pay off in the form of a decent job after graduating.

Why have the humanities proved so useless to the middle and working classes? When the core curriculum was abandoned or weakened in most schools, students were faced with a choice: take difficult or dull but practical subjects such as electrical engineering, physics, and accounting, or spend time studying such comparatively interesting but inutilitarian subjects as literature, religious studies, and urban criminology. These students had been encouraged to believe that a college diploma in any subject, whether hard or easy, dull or entertaining, was a ticket to prosperity. So they quite understandably bypassed the hard technical and scientific subjects for pleasantly diverting courses in the social sciences and the humanities. (This is why enrollment in these courses originally increased in spite of being dropped from the core curriculum.)

Greedy for the public funds that were being uncritically appropriated in pursuit of Lyndon Johnson's Great Society, the universities encouraged increased enrollment by making the humanities and social sciences even more attractive to students. Lectures and term papers gave way to bull sessions about current events; abstract discussion of political theory was replaced by inflammatory rhetoric urging political action; recondite questions about the role of law in the social order made way for urgent questions about the role of women in the workplace; statistical analysis of the causes and cures of crime was supplanted by vivid films on street life in the ghetto; and the average C was turned into the average B. For a few years, everybody had a grand time.

Let us return both the humanities and the sciences, physical as well as social, to advancing and refining what used to be called the liberal arts.

By the late '70s, though, the party was over, and everybody had a hangover. Employers who once gladly hired just about anybody with a university diploma, no matter the major, discovered that such diplomas no longer guaranteed competence. Not only did graduates in the humanities and social sciences lack vocational training, as such graduates always had; they now also lacked the intellectual skills that the study of these subjects used to give them. They could no longer even read and write! (My wife did not believe this until I took home copies of examinations containing not one well-formed sentence.)

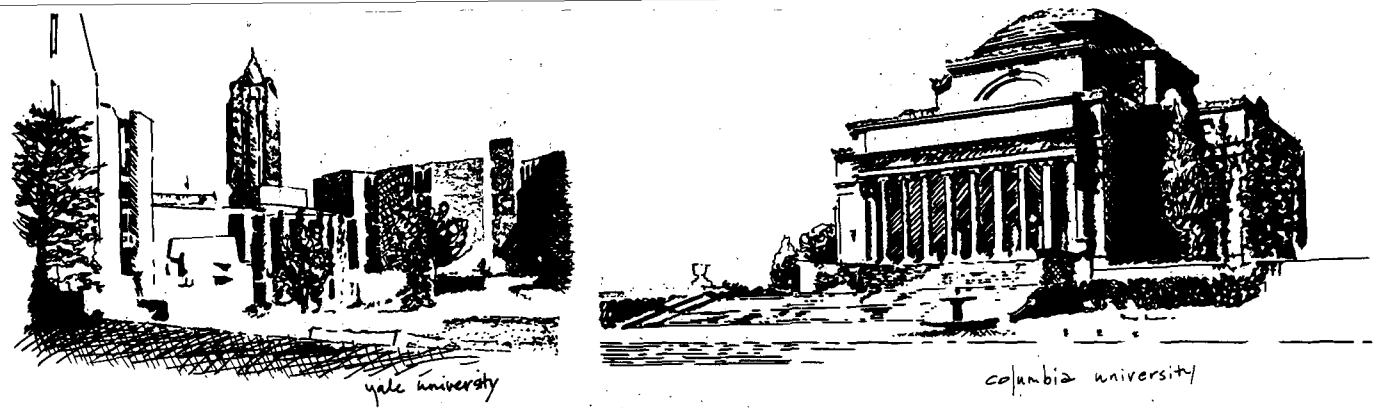
Even worse, humanities majors often had smug, superior attitudes that made them virtually unteachable. They were more trouble than they were worth, so employers took to hiring graduates of schools of engineering and business instead. Sometimes they did this in order to get somebody specifically trained for their job. Often they did not—their desire was simply to hire someone brighter, more literate, better disciplined, more cooperative, and teachable.

So the conservatives are wrong. The humanities did not turn left so much as they went soft. They did not fail to teach respect for tradition so much as they ceased to teach the basic intellectual skills. Ideology didn't kill the humanities. Laziness did.

A Bracing Tonic

There is only one way to save the humanities and only one thing that would make them worth saving—humanities must be made useful again by being made rigorous. They must be returned to their basic task, which is—contrary to the William Bennetts of this world—not to instill respect for tradition but to inculcate the liberal arts. When students of the humanities and social sciences learn once again to read and write and reason, employers will once again want to hire them. Core curricula will be unnecessary. There is no need to coerce someone into taking something that he clearly needs.

This proposal runs contrary to the



widespread conviction that vocational training is not the proper business of the humanities. Since the 19th century, the humanities have been conceived not as *Naturwissenschaften* (knowledge of things material and worldly) but as *Giesteswissenschaften* (knowledge of things spiritual and other-worldly). This conception holds that the humanities are artsy-literary pursuits for men and women of leisure. They are not training in the skills needed to understand the world and prosper in it; they teach only how to enjoy it. The emphasis is on appreciating material things, not acquiring them.

In a word, conventional wisdom both inside and outside the academy is that the humanities are high culture. If we want workaday utility, we should seek it from scientists, engineers, and businessmen; inspiration and refinement come from historians, philosophers, and men of literature. To make the humanities down-to-earth and practical would be to corrupt them by transforming them into occupational training. One might as well advocate making religion worldly and practical!

This attitude is romantic, snobbish, and self-defeating. If the humanities are training for leisure rather than work, then they are solely a leisure-class pursuit. If their value is aesthetic and inspirational rather than utilitarian and practical, they will continue to be shunned, and rightly so, by the children of the working classes. So long as they remain instruction in icing a cake, the vast majority of Americans, whose need is for bread, will have little use for the humanities.

But the snobs and the aesthetes have it all wrong. The concept of the humanities originated in the Renaissance, when *literae humaniores* (mostly classical Greek and Roman writings about man and this world) were distinguished from *literae divinae* (mostly medieval writings about God and the next world). The humanities were originally *useful* writings and were *contrasted* with the inspirational. Nothing required them to be pleasing but useless. On the contrary, men of the Renaissance read the humanities because they gave them access to Roman technology and Greek science, much of which had been forgotten or lost during the unenlightened and scientifically backwards Middle Ages. The patrons of the humanities liked Greek sculpture, painting, and poetry, but they were also eager for Roman knowledge of how to construct bridges, conduct wars, cure the sick, and administer cities. They admired art, but they understood the word in its ancient, broad, and class-neutral meaning, not in its modern, narrow, and snobbish connotation. To them, art meant skill as well as beauty and grace, technique as well as aesthetic refinement, practical know-how as well as high culture—the means and methods of nourishing the body as well as satisfying the palate, of baking bread as well as icing cakes.

When students of the humanities and social sciences learn once again to read and write and reason, employers will once again want to hire them.

The best way to revive the humanities is to return them to their original aim. The point is not to turn them into job-training programs. On the contrary, it is reasonable to fear that if they continue on their present path, the public schools and universities will become nothing but trade schools that train people in narrow skills to work in soon-to-be-obsolescent industries. These people will be unable to adapt to changes in society and the workplace because they will lack elemental intellectual skills. *Skills that should be taught by the humanities.*

The public education system is making people economically dependent. Wouldn't it be better to give them the wherewithal to stay free? Let us return both the humanities and the sciences, physical as well as social, to advancing and refining what used to be called the *liberal arts*—meaning, as the Roman emperor Cicero explained, the intellectual skills needed not by slaves but by free men. In short, teach students how to read, write, and reason well enough to earn a living at a freely chosen occupation and to choose a value system that will help them live full and productive lives.

Secretary Bennett is bothered that recent graduates of our colleges and universities don't recognize the names of St. Augustine and haven't read the works of Shakespeare. That fact bothers me too, but I am bothered even more by the fact that many recent graduates of our state universities cannot consistently write grammatical sentences or read and comprehend simple paragraphs.

Perhaps we could combine the two and teach students to read by having them read great books. That, alas, is not Bennett's primary interest. He wants to increase piety, not raise literacy. In the only reference to skills in his NEH report, Bennett says that it is not worth knowing *how* to read and write if you do not know *what* to read and write. The secretary has it all backwards. Teach people how, and they will know what. ◻

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Radical feminists are turning their backs on the First Amendment in a crusade to clean up America.

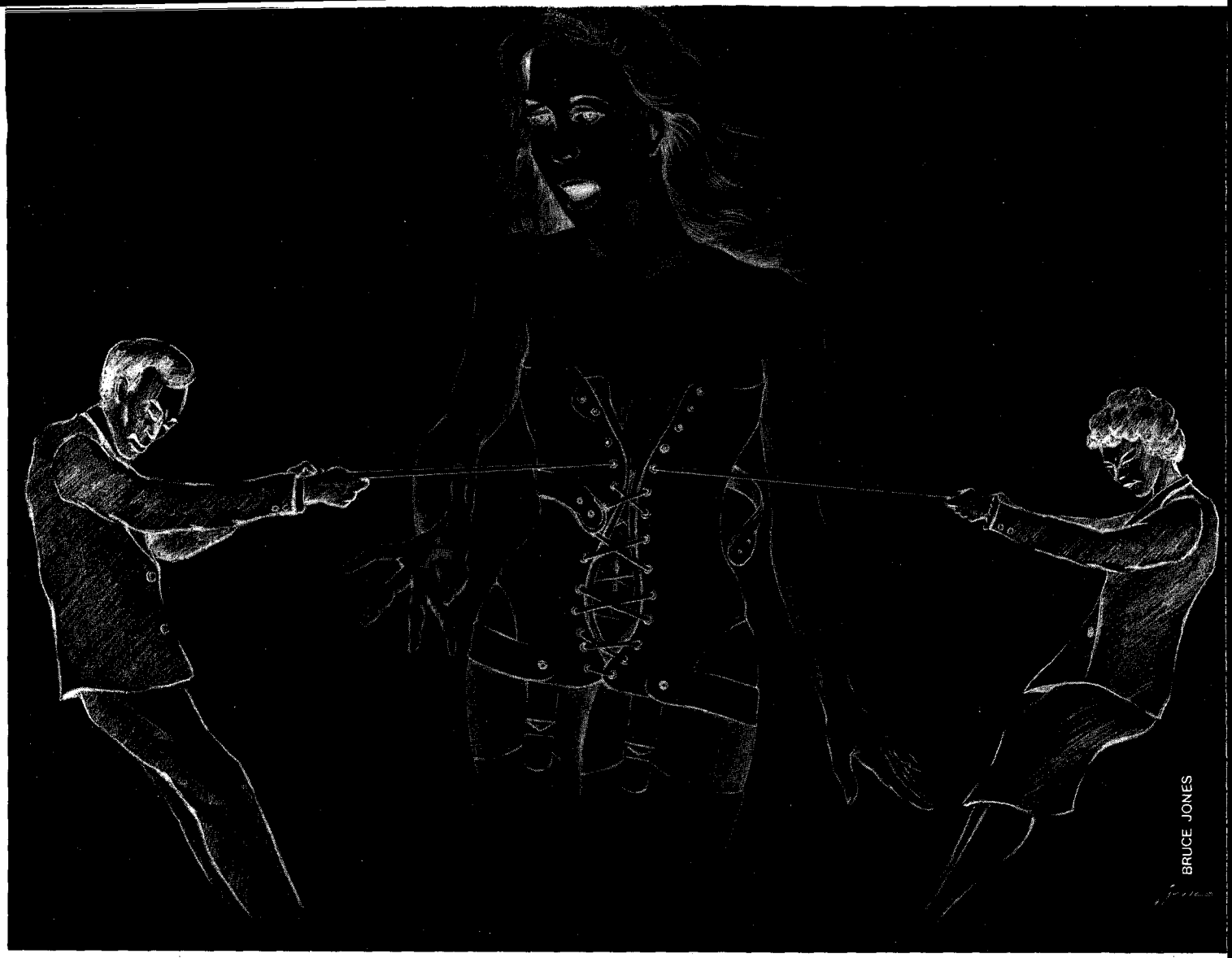
Porn Busters

It was a most curious spectacle in April 1984 as members of the Indianapolis City Council debated an anti-pornography ordinance. A bizarre coalition of left-wing feminists (including Andrea Dworkin, author of Pornography: Men Possessing Women*) and conservative Republicans, such as anti-ERA councilwoman Beulah Coughenour and Mayor William Hudnut, supported the measure. Arrayed against them was an alliance of booksellers, theatre owners, and the ubiquitous American Civil Liberties Union. Opponents of the proposal stood little chance as dozens of militant feminists and more than 200 Moral Majority sympathizers packed the council chambers. Following a spirited debate, council members voted 24 to 5 to approve the scheme.*

The ACLU filed a lawsuit challenging the Indianapolis ordinance within hours of its passage. On November 19, 1984, Federal District Judge Sarah Barker struck down the measure as unconstitutionally vague and overly broad. City officials promptly appealed the decision, and the entire matter appears headed for eventual resolution in the US Supreme Court.

The Indianapolis anti-pornography ordinance attracted national attention because it embodies a radical new legal theory regarding the issue of pornography. Restrictive statutes normally declare certain types of sexually explicit material to be "obscene" and then make the distribution of such material a criminal offense. The Indianapolis measure, by contrast, defines pornography as a form of sex discrimination actionable

by Ted Galen Carpenter



under *civil* law. This approach was the brainchild of feminist leader Andrea Dworkin and University of Minnesota law professor Catharine MacKinnon. The two women and their political allies had already achieved a significant breakthrough several months earlier when they persuaded the Minneapolis City Council to enact a similar ordinance, although Mayor Don Fraser later vetoed the council's handiwork.

Both the Minneapolis and Indianapolis proposals defined pornography as "the graphic sexually explicit subordination of women, whether in pictures or in words." The Indianapolis ordinance also specifies that to be considered a violation of law, the offending material must meet one of six other conditions. Some of these subsidiary requirements are relatively specific, for example those prohibiting any depiction of women "cut up or mutilated or bruised or physically hurt." Other categories are alarmingly vague. Proscribed conduct includes portraying women as "sexual objects for domination, conquest, violation, exploitation, possession or use" or showing them in "postures or positions of servility, submission, or display."

Just as the Indianapolis ordinance defines pornography differently (and more expansively) compared to standard obscenity statutes, so does the procedure for enforcement differ. No longer would it be necessary for police vice squads to raid adult bookstores or theaters, nor would the local district attorney have to seek a criminal indictment against those individuals purveying the illicit items.

Instead, any woman who felt aggrieved by a book, magazine, video, or movie containing material within the definition of the ordinance could file a complaint with the city's Office of Equal Opportunity. This agency, which already handles complaints regarding discrimination in housing, public accommodations, and employment, would then have to conduct a prompt investigation. If, based upon "the preponderance of the evidence," investigators determined that the material was in fact pornographic, the agency would have the power to issue a cease and desist order. The respondent would have to comply with that order and remove the offending items or the Office of Equal Opportunity could seek enforcement in the courts. While the agency would have the burden of showing that the respondent's actions were in violation of the law, there is no requirement that the government must prove its case "beyond a reasonable doubt," as it must do in criminal proceedings.

The last point underscores one especially odious feature of the Indianapohis experiment. Despite feminist claims that treating pornography as a civil-rights violation represents a new and innovative approach to an unsavory problem, it actually poses a more lethal threat than traditional obscenity statutes to freedom of expression. At least with obscenity laws, basic constitutional guarantees protecting the rights of criminal defendants remain intact. Before prosecution can commence, authorities must obtain an indictment based upon probable cause. Defendants are entitled to a

formal trial—including trial by jury if they choose. And guilt must be demonstrated beyond a reasonable doubt to warrant conviction.

Compare these rigorous procedural requirements to the insidious system the Indianapolis ordinance would establish. The entire process is based on the legal fiction that penalties for violation are civil rather than criminal—as though arbitrarily dictating what publications a merchant may carry, thereby crippling that person's business, does not constitute "punishment." Since it is technically not a criminal matter, most of the guarantees afforded defendants in a criminal case would not apply. Instead of an indictment handed down by a district attorney or grand jury, a complaint from any disgruntled citizen would trigger the process.

During the initial stages, accused parties would be at the mercy of an investigative bureaucracy that would have great latitude in determining guilt or innocence. There would be no assurance that officials conducting the investigation would be impartial; indeed, they could be zealots dedicated to eradicating any material they personally considered offensive. At no point in the proceedings, not even when the Office of Equal Opportunity sought court enforcement, would the government be required to prove its allegations beyond a reasonable doubt. One can scarcely imagine a system better calculated to have a chilling effect upon freedom of expression and an open marketplace of publication.

Though methods may differ, the movement to make pornography a civil-rights violation harbors the same goal as previous censorship crusades.

Passage of the Indianapolis ordinance is the culmination of a trend toward repression that has been mounting for more than a decade. It also symbolizes the power of a surprising new tactical alliance between left-wing feminists and political conservatives on censorship issues. Those two disparate factions might disagree on everything else, but they are linked by a determination to eliminate the circulation of values they consider anti-social.

Conservatives have long constituted the principal force behind movements to ban "smut." Their efforts have been blessed by a series of Supreme Court rulings, beginning with *Miller v. California* in 1973, which reversed the earlier trend toward considering obscenity an unconstitutionally vague concept. Buoyed by these rulings, organizations such as the National Federation for Decency, Morality in Media, and most recently, the Moral Majority, have accelerated their campaign to limit the forms of speech protected by the First Amendment.

Although right-wing elements are less vocal about expressing their Victorian sexual mores than in previous censorship crusades, they still assert that sexually explicit material corrupts the moral fiber of the American republic and undermines a virtuous citizenry. Motivational speaker Zig Ziglar, a prominent pro-censorship activist, expressed that assumption most succinctly in an op-ed piece in the *Dallas Morning News* when he stated, "Pornography is anti-God, anti-family and anti-woman."

Conservatives like to emphasize the need to shield youngsters from "unwholesome" influences. Jack Rabito, a regional director of the National Federation for Decency, asserted that "what it comes down to is protecting the children." But he then endorsed proposed ordinances in several Dallas suburbs that would bar convenience stores from selling *Playboy*, *Penthouse*, or similar magazines to adults as well as minors.

Even a cursory examination of conservatives' arguments reveals a definition of obscenity broad enough to rationalize the suppression of virtually any book, movie, or magazine that dares promote a competing sexual value system. One right-wing state prosecutor in Montana threatened to bring criminal charges against any teacher or librarian who gives a copy of the highly acclaimed feminist health book *Our Bodies, Ourselves* to a minor. "Americans have genuflected too long at the altar of free speech," he fumed.

The feminist brief against pornography is more complex than the conservative case and—at least superficially—more compelling. Feminists express revulsion at sexually explicit materials that depict females as objects lacking any human dignity or individuality, existing solely for the pleasure of a dominant male. "Pornography, like rape," author Susan Brownmiller argues, "is a male invention, designed to dehumanize women, to reduce the female to an object of sexual access, not to free sensuality from moralistic or parental inhibition."

The dehumanization aspect is alarming enough, feminists contend, but even more sinister is the recent glut of films and publications that glorify violence and show females not only enduring sadistic treatment but deriving great sexual pleasure from it. Feminists note that this theme of sexual violence is not confined to the "hard-core" pornography but has spilled over into mass advertising, "establishment" publications, music videos, and other mediums.

Such developments, critics assert, create a cultural milieu in which degrading or violent treatment of women is regarded as perfectly normal. Moreover, glamorizing anti-female behavior in fictional form may encourage unstable personalities to translate their fantasies into acts of savagery. Feminists indict pornography as a major cause of rape and other acts of violence directed against women. This argument is not new; traditional proponents of censorship have insisted for decades that sexually explicit literature and movies encourage criminal behavior. But feminists make a more comprehensive assertion—that pornography represents a root cause of everyday discrimination against women. That assumption is stated explicitly in the Indianapolis ordinance:

> Pornography is a discriminatory practice based on sex which denies women equal opportunities in society. Pornography is central in creating and maintaining sex as a basis for discrimination. Pornography is a systematic practice of exploitation and subordination based on sex which differentially harms women. The bigotry and contempt it promotes, with the acts of aggression it fosters, harm women's opportunities for equality of rights in employment, education, access to and use of public accommodations, and acquisition of real property...and contribute significantly to restricting women in particular from full exercise of citizenship and participation in public life.

It is difficult not to sympathize with denunciations of "hard-core" films and publications that depict women in a degrading and offensive fashion. Portrayals of females being bound, whipped, beaten, mutilated, or gang-raped are distressingly common. Men who consume and enjoy such material would seem to have, at the very least, a psychological inability to view women as individuals possessing dignity.

Nevertheless, censorship is not an appropriate solution. The notion that government should be able to ban pornography because it may lead to rape and other sex crimes has unsettling implications. Evidence of a causal link between pornography and violence is inconclusive at best, but even if incontrovertible proof existed, empowering government to prohibit the dissemination of certain ideas and values because they might encourage dangerous behavior is an extremely dubious proposition.

Advocates of legislation limiting freedom of expression on that basis embrace the same logic that drug-law and gun-control proponents employ. Prohibiting marijuana and alcohol is justified, so the argument goes, because *some* people commit destructive acts while under their influence. Likewise, it is permissible to outlaw possession of firearms because *some* individuals use weapons in an irresponsible or harmful manner. This seemingly reasonable approach leads inevitably to a limitless array of governmental restrictions on what citizens may do and, in the case of censorship, what they may read. Unless we are willing to permit the extent of our liberties to be governed by how responsibly the weakest members of society exercise those rights, we must reject this rationale for governmental control of individuals' behavior.

There are even more fundamental objections to feminist censorship. Like traditional anti-smut crusaders, women's rights leaders are disturbingly vague in defining what constitutes "pornography"—although in contrast to conservatives, they at least avoid using the term to cover all sexually explicit material.

Several activists have tried to establish a distinction between pornography and "erotica." The latter concept, Gloria Steinem, Catharine MacKinnon, and others contend, is rooted in "passionate love" and requires both free choice and equality. Conversely, pornography implies an unequal power relationship—the degradation and humiliation of women by men. It is precisely that distinction—between sexual equality and domination—that proponents of the Indianapolis ordinance wrote into the legislation. Their definition of pornography is any material that depicts the sexual "subordination" of women.

A distinction between erotica and pornography may be valid and laudable in a philosophical sense, but it does nothing to resolve the lack of legal precision inherent in any censorship statute. Those charged with enforcing restrictive laws may decide that the content of a particular film, book, or magazine is "pornographic" and therefore should be proscribed however much the work's distraught defenders might argue that the material is really "erotic." Once a movement toward repression gains momentum, such subtle distinctions are usually lost.

Feminists insist that their approach transcends the vague and subjective nature of traditional obscenity statutes. During an appearance on the *Phil Donahue Show*, Andrea Dworkin affirmed that she and Catharine MacKinnon were "extremely concerned about the whimsical prosecution of people for reasons of politics or morality. We wrote a very specific definition of pornography." Dworkin's comments, however, are little more than wishful thinking. Both advocates and opponents of the Indianapolis measure concede that it encompasses materials not considered legally obscene under the standards the Supreme Court established in *Miller* and subsequent decisions. In that respect, the feminist campaign represents an even more comprehensive assault on freedom of expression.

Indeed, the Indianapolis ordinance scales previously unattained heights of imprecision. Picture the wisdom that municipal civil-rights bureaucrats must possess in order to determine whether a sexually explicit novel depicts a relationship based on equality or if instead the accused work unlawfully shows the female characters to be subordinate. Also imagine the legal nightmare involved in trying to define terms such as "domination," "exploitation," or "postures of...servility, submission or display"—any of which could be used as a justification to ban controversial publications. Critics of the ordinance argue persuasively that those provisions are so ambiguous that zealots could outlaw not only "hard-core" smut but *Playboy*, *Penthouse*, and even James Bond movies or Flash Gordon comics.

An equally alarming feature of the Indianapolis measure is the assumption that members of a certain societal group should be able to invoke governmental power to suppress the expression of values they consider demeaning or offensive. If women seize that authority with respect to pornography, should blacks be able to use a similar statute to challenge writings they deem racist? Similarly, should religious denominations be empowered to seek the removal of materials they believe are sacrilegious? In fact, several states did have laws on the books as late as the 1950s banning sacrilegious films or publications, and the rationale for those statutes was strikingly similar to current feminist pro-censorship arguments. Proponents insisted that people should not have to endure the pain and humiliation of witnessing their faith held up to ridicule or contempt.

Carried to its logical conclusion, the doctrine embodied in the Indianapolis ordinance threatens the circulation of unorthodox viewpoints on a host of controversial matters. If a distributor must fear harassment from a civil-rights agency cum censorship board, the most likely response is to avoid carrying any publications or films likely to offend a portion of the community. This dark cloud of intim-

Critics of the ordinance argue that zealots could outlaw not only "hard-core" smut but *Playboy*, *Penthouse*, and even James Bond movies or Flash Gordon comics.

idation would stifle the expression of precisely those unpopular views that the First Amendment was designed to protect.

Though methods may differ, the movement to make pornography a civil-rights violation harbors the same goal as previous censorship crusades. Traditional book-banners have long used allegations of obscenity as a pretext to exclude literary works that conveyed messages contrary to their own beliefs and values. Even today, reactionaries try to ban materials as diverse as J. D. Salinger's classic novel *The Catcher in the Rye*, George Orwell's *Nineteen Eighty-Four*, and the feminist, "anti-family" *Ms.* magazine on spurious obscenity charges.

Passage of the ordinance symbolizes the power of a new alliance between left-wing feminists and political conservatives on censorship issues.

Left-wing feminists, despite a rhetorical commitment to free speech, have the same objective—enshrining their values as the only legitimate ones. The Indianapolis ordinance symbolizes their determination to implement one element of a theoretical program that neo-Marxist philosopher Herbert Marcuse outlined in the late 1960s.

Marcuse, the leading intellectual guru of the New Left movement, explicitly rejected the orthodox liberal concept of a First Amendment "marketplace" in which all values and ideas could compete. Instead, he argued that tolerance is a virtue only insofar as it fosters social justice. Tolerance, Marcuse insisted in his famous essay "Repressive Tolerance," can be "indiscriminate and equal with respect to the contents of expression neither in words nor in deed; it cannot protect false words and wrong deeds which demonstrate that they contradict and counteract the possibilities of liberation."

Efforts to establish a just and humane society might well require the use of "apparently undemocratic means," including withdrawing the right of speech and assembly "from groups and movements which promote aggressive policies, armament, chauvinism, discrimination on the grounds of race and religion, or which oppose the extension of public services, social security, medical care, etc." Specifically, the liberation of downtrodden groups required placing restraints on their oppressors.

It is no accident that several outspoken feminist partisans of censorship—among them Andrea Dworkin and Lynn Campbell of Women Against Pornography—received their ideological baptisms in the New Left. Their rationale for treating pornography as a civil-rights violation is a classic application of Marcusian principles to the issue of sexism. At the core of their position is the premise that pornography should be proscribed because it undermines the objective of equality for women. Catharine MacKinnon and Andrea Dworkin state that assumption explicitly: "[The ordinance] is a civil law *against* pornography, but it is also *for* the equality of the sexes, women's rights, and the integrity and dignity of all persons regardless of sex. And it will *do* something: empower people and call into question the legal immunity of the exploiters for the first time."

On another occasion, MacKinnon parrots Marcuse's contention that while "pure tolerance"—unlimited freedom of expression—might be valid in a non-hierarchical culture, it is inapplicable in an "unjust" society—in this case, one based on "gender inequality." The latter social structure, she contends, enables the powerful (for example, the pornography industry) to impress its view upon the world, creating an appearance of consent while making "protest inaudible as well as rare." Like Marcuse, she would curtail the rights of the "powerful" in order to enhance the position of the "exploited."

MacKinnon, Dworkin, Susan Brownmiller, and other would-be censors exhibit a Marcusian contempt for "First Amendment absolutists." Their disdain implies—at the least—a belief that certain values are inherently offensive and should be excluded from the arena of public debate. Nothing in their public utterances suggests that they would object to treating "racist" or "fascist" material in the same fashion as pornography—a frightening prospect, given the left's habit of defining terms such as "fascist" in a most expansive manner.

The ideal of equal rights for women is worthy of support, but no value is so sacrosanct as to warrant the forcible exclusion of contrary viewpoints. It is a dangerous precedent to ban the expression of certain ideas because they are insufficiently "progressive" or may offend members of a particular societal group. Given the diversity of political opinion and the multiplicity of racial, ethnic, and religious factions in the United States, that approach is a recipe for repression. Federal Judge Sarah Barker offered a pertinent rebuke to Marcusian zealots in her decision striking down the Indianapolis ordinance. "To deny free speech in order to engineer social change in the name of accomplishing a greater good for one sector of our society," observed the judge, "erodes the freedoms of all and, as such, threatens tyranny and injustice for those subjected to the rule of such laws."

Several decades ago, Supreme Court Justice Oliver Wendell Holmes observed that the proper antidote to offensive speech is not censorship but more speech, and he warned, "We must be eternally vigilant against attempts to check the expression that we loathe." Holmes's dictum is just as valid today. When feminists oppose pornography through boycotts, demonstrations, and efforts to heighten public sensitivity—as they are constitutionally entitled to do—they deserve the support of Americans dedicated to creating a more humane society. But when they form an unprincipled alliance with the traditional enemies of free speech and utilize governmental power to proscribe the circulation of values they dislike, they merit the uncompromising enmity of those who cherish individual freedom.

It doesn't matter whether censorship assumes the guise of orthodox obscenity statutes or the newer and more insidious mask of bogus civil-rights measures. The ultimate consequences are identical—less freedom, more tyranny. Dozens of local governments are now considering restrictive laws patterned after the Indianapolis ordinance. Americans should know better; censorship has flourished before, and we know that it inexorably produces stifling conformity. No intelligent person should wish to repeat that tragedy.

Ted Galen Carpenter is a historian. His articles have appeared in REASON *and* The Nation.

ILLUSTRATIONS • KEVIN POPE

RETURN OF THE INVISIBLE HAND

By Geoffrey Sampson

Why the market really does work, and why more people are realizing it.

An excerpt from *An End to Allegiance: Individual Freedom and the New Politics.*

Homo sapiens is a gregarious animal. Few aspects of our lives are completely private, in the sense that they do not depend in any way on others' cooperation and have no implications at all for others' welfare. Almost everything we do is a communal enterprise. A bachelor, relaxing alone with his record collection of an evening, can do so because people (perhaps long dead) wrote the music; other people learned to play instruments (which other people manufactured); more people made record-players and records—and, indeed, further people made the armchair he sits in, built and repaired the house sheltering him, and so on, endlessly. A shepherd trudging the fells to look after his flock may not see another human from beginning to end of his working day, but his work has a purpose only because in due course people unknown to him will be turning wool into suits that other people will wear. It is a truism that society is an interdependent, immensely complex web.

This being so, there is no possibility of individuals conducting their lives without reference to the decisions of other individuals. The question is not whether this would be desirable: it is not possible. One individual's or group's products are another individual's or group's inputs; consumers cannot choose what range of goods to consume without reference to what is being made available by producers, and producers in turn are dependent on others' output.

In any human society there must be *some* means—perhaps efficient or perhaps inefficient, perhaps morally admirable or perhaps abominable—by which the activities of its members are coordinated. By this means, the various choices that individuals might be disposed to make in isolation are resolved into a set of decisions that are compatible taken as a whole, so that nobody is processing or consuming anything that does not exist because it has not been produced.

There are two contrasting principles by which this coordination can be achieved. The principle that, arguably, seems most natural is the principle of *planning and command.* The task of finding an efficient and fair solution to the coordination problem is an immensely complex task, so a competently staffed

organ of state is charged to work out a satisfactory solution, and the state delegates to this body the authority to impose its solution on individuals in their roles as producers and consumers.

The opposite principle is that of the *market*. Under this principle, the state claims no authority to dispose of the various resources within society, each of which is controlled instead by some particular individual or voluntarily established institution. No overall plan of coordination is formulated, and instead a pattern of coordination emerges spontaneously as individuals attempt to satisfy their wants as consumers by engaging with others in voluntary exchanges of the resources under their respective control (including their labor).

Liberal-minded, individualist commentators* sometimes talk as if the market approach were innately natural to humans, whereas the growth of state intervention and the command system for resolving the social-coordination problem were a 20th-century innovation. This seems to me a profound mistake.

Surely, if the problem of coordinating millions or tens of millions of individuals' lives is as difficult as I have suggested, the natural thing is to suppose that a satisfactory solution requires a great deal of careful and well-informed thought. Perhaps plans can never be perfect, but imperfect planning must surely be better than just sitting back and leaving everything to the accidents of billions of decisions made by millions of independent individuals, few of whom know, or care, very much about the implications of their decisions for society in general. Any wise man tries to plan his own affairs, rather than just drifting at the mercy of every momentary gust and current in life. Surely we owe it to ourselves and to one another to arrange for society's affairs to be organized at least as carefully as we organize our own?

This, I should think, would be virtually anyone's instinctive response to the contrast between command and market principles; and historically the application of the command principle was until fairly recently limited mainly by the technical limits to the capacity of pre-modern states to make and impose detailed economic plans, rather than by any doubts about the theoretical virtues of the command principle. From a historical perspective, it seems to be the command principle that is traditional and the market principle that is a novelty. In the 17th century, Louis XIV's finance minister Colbert set out to regulate French industry to a degree of detail that has scarcely been approached in 20th-century Britain even in wartime: his thousands of pages of *reglements* went as far as to dictate the number of threads in each width of cloth.

If decisions are made politically rather than in the market, individuals do not stop striving to better their lot; they simply redirect their efforts toward the new source of benefits.

Not until 200 years ago was the remarkable idea first propounded that the market system is actually better than the command system at achieving the very goals—the beneficial coordination of individuals' decisions—that motivates the command system's idealistic supporters. The classic statement of the virtues of the market was Adam Smith's *Wealth of Nations*, published in 1776. As Smith put it, in a market system based on private property, each participant "neither intends to promote the public interest, nor knows how much he is promoting it... he intends only his own gain, and he is in this...led by an invisible hand to promote an end which was no part of his intention....By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it."

Smith's "invisible hand" is for liberals a key concept in understanding the functioning of society. Any attempt to invoke state power to modify society's workings, liberals argue, is likely to lead to results that are the opposite of those intended. Society is a delicately balanced self-regulating machine, and if we find that things are going amiss in some area of society, the liberal's reaction is to look for a cause in terms of unnecessary state regulation of some activity or failure to parcel out some collectively held resource into a set of private property rights.

Why should anyone believe such an implausible idea? That is a longish story. First, let me try to make the idea less implausible by illustrating it via a concrete example: the housing shortage.

Early in the 20th century, 9 out of 10 British families lived in privately rented housing (the tenth family being owner-occupiers). Rents were settled by the ordinary laws of supply and demand, until the First World War upset the normal functioning of the market. There was then a sudden unprecedented inflation, and rents began to soar alongside other prices. In 1915 rents were frozen at the immediately prewar levels, as a compassionate emergency measure to last no more than six months after the end of the war.

That emergency measure has outlasted the war that provoked it not by six months but, in one form and another, by more than 60 years.

After the war, landlords were allowed to increase rents by a specified percentage, but this was not enough to compensate for wartime inflation. So, naturally, the supply of new houses for rent began to dry up as rent control made housing a relatively unprofitable investment. To cure the shortage, the law controlling the powers of local government was changed to encourage local governments (councils) to go into the housing business.

Council housing was (and is) exempt from legal rent control; but that scarcely matters, since it is subject to a different sort of control via the ballot box. A local council that raises rents hurts its tenants' interests in a very clear and public fashion and gets into political difficulties accordingly. It is much less likely to lose votes by subsidizing its housing from tax funds, because taxpayers are not in a position to keep track of all the different

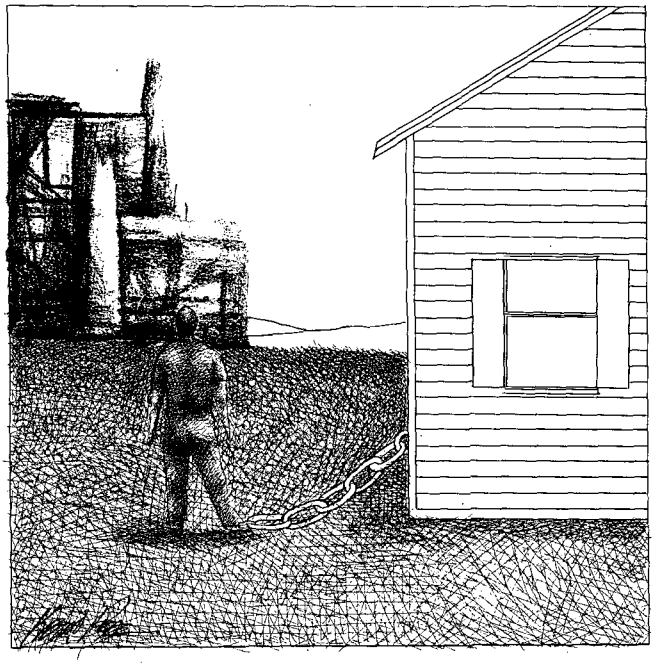
Liberal is a long-standing political term for a position that emphasizes the freedom of the individual in contrast to collective or state authority. Remarkably, in the USA the term now connotes, instead, "aggressive use of central government power" and "equality more and liberty less." Despite this verbal hijacking, I shall use the terms *liberal* and *liberalism* to describe a political position favoring individual freedom against the authority of the state.

things their money is spent on and how far they each represent value for money, without engaging in a research effort that few of them have time for.

By 1976 the *average* local authority's rents were so low as barely to cover the costs of maintenance, allowing nothing toward repaying the capital. Naturally, councils acquired long queues of would-be tenants eager to take advantage of this bargain—queues in which it takes months or years to reach the head.

What of the private landlords, meanwhile? As council rents sank in real terms, the figures that private landlords wanted to charge in order to get an economic return on their investment made them look like sharks by comparison—so rents remained controlled, to protect tenants from "exploitation." If a landlord cannot make a profit by renting, his obvious alternative is to get rid of his tenants and retrieve his capital by selling to owner-occupiers. This created a real danger of wholesale evictions; so, to rent control was added security of tenure: a tenant once in place cannot legally be given notice.

Under the 1974 Rent Act, the "fair rent" for a house or flat is determined by a local government official by criteria that are left mysterious (rent officers are expressly directed to ignore the factors of supply and demand). When a private letting does become available, it has become common for a prospective tenant to agree a rent with the landlord, move in, and go straight round to the Rent Office to get the figure just agreed to declared "unfair."



The result of all this, predictably enough, is that private tenancies have almost disappeared. Where private landlords do still try to run their properties as a business, they commonly aim to let to ambitious young bachelors or well-heeled foreign visitors, who are sure to move on before long—just the kind of people who could afford good accommodation easily in an uncontrolled market.

This might not matter to would-be tenants if council housing had succeeded in replacing the private landlord's function of supplying accommodation of the types and quantities needed in different places. But local authorities build the wrong kinds of housing, in the wrong places.

For a small-scale example, I do not need to look further than the village where I live. Our housing authority recently carried out an extensive building program that has given us exclusively one-bedroom houses for the elderly, while larger houses for couples with children have all been segregated in another village separated from us by several miles of hilly and winding road. Simultaneously, another arm of local government has closed the school in the other village and transferred its pupils to our newer and larger school. (This, in an area where few families have cars and fewer mothers have driving licenses.) A case like this seems laughable—but not to the people involved.

Other failures in the public housing program have been on a grander scale. The switch from houses to blocks of flats in the postwar period represented a decision made by the state in defiance of consumer preferences. (In 1952, when the *Architects' Journal* proposed to solve Liverpool's housing problem by building a two-mile ring of twenty-story blocks surrounding the city center, a local newspaper polled people on the waiting list for council accommodation and found that 96 percent of them wanted houses rather than flats.) A major demographic change in modern Britain has been the great increase in the proportion of young one- and two-person households, but this is often ignored by council housing programs that continue to cater mainly to traditional families and the old.

As long as I can remember, there has been a "housing problem" in Britain. Because of the cheapness of council housing, local authorities have to impose rationing schemes that cannot possibly be sensitive to all the human factors relevant in an individual case. A woman desperate to get away from a husband who bullies her and her children will get no house from the council, since she is "voluntarily" joining the queue at the bottom. Yet, at least since the beginning of the 1970s if not longer, there has been a substantial excess of houses over households in the country as a whole. Many of those empty houses are privately owned and had been rented before extensions to rent control made this uneconomic; many others are owned by local authorities and deliberately kept vacant in order not to interfere with "development" schemes that might, or might not, one day come to pass (a council has little motive to worry about forfeiting rental income, since it can always dip deeper into tax funds).

Nor are the ill-effects of rent control confined to frustrated tenants and would-be tenants. One of the factors often commented on in connection with Britain's miserable industrial performance in recent decades has been the extreme reluctance of workers in dying industries to move to areas where new opportunities are opening up. Even when suitable jobs are available, workers have often preferred to use all the political pressure at their disposal to force government to subsidize loss-making industries out of taxation, and governments of both parties have often yielded to the pressure.

People who ought to know better put this down to laziness or to the excessively generous levels of state unemployment benefits. It is nothing of the kind. For a family man installed in a good council house, the right to remain in that house may be his most valuable single asset: if he moved elsewhere he would have to go to the bottom of another council's waiting list. But, while this reluctance to move is perfectly understand-

able, at the same time it acts as a strong brake on the nation's industrial regeneration. State action in the field of rented accommodation is hurting everyone, including those who are neither landlords nor tenants.

A market is a system by which the preferences of *consumers* determine to what uses the productive resources of society will be put. Rent control has failed, as any state intervention in the operations of a market is likely to fail, because it has uncoupled decisions about use of resources from the pressure of consumers' wants. If there were no laws limiting freedom of contract between landlords and tenants, then a strong desire by many individuals to rent accommodation, reflected in willingness to devote a relatively high proportion of their income to rent, would make the letting of houses a relatively attractive proposition, so that those who owned spare accommodation would be inclined to let it out, and those who owned liquid capital that could be invested in the construction of houses for rent would be likely to choose this way of investing it.

As it is, no degree of willingness by would-be tenants to pay for more rented accommodation translates into a motive for a private person to become a landlord. By introducing laws designed to protect the interests of the dwindling class of tenants *already in place* and not wishing to move elsewhere, the state has gravely injured the interests of *would-be* tenants by depriving them of the power to influence the behavior of private owners of resources that could be used to provide them with accommodation.

Of course, the state *has* given them the possibility of influencing the provision of accommodation via the political process. But this is a very crude and unsatisfactory alternative to the market, because it gives consumers no way of registering the strength of their *relative* preferences for alternative uses of resources.

When a commodity is provided by the machinery of the market, consumers have to decide not merely whether they want it but whether they want it *enough* to forgo alternative uses for their income. If the supply of a commodity is determined politically, on the other hand, citizens who want the commodity have little reason to hold back from using their political clout to demand it, because the state provides such a large range of goods and services to so many people that the resources freed by failure to supply a given commodity are quite unlikely to be used in ways that benefit the same people.

When decisions about how to allocate resources are made politically, public life becomes a sea of individuals and groups all constantly asking, with various degrees of urbanity or shrillness, for more resources. Only a finite quantity of resources is available, so decisions get made almost accidentally, in terms of which pressure group can best publicize its case, who knows how to get access to the relevant decisionmakers, which minister is felt to deserve a success, and the like—all of which has very little connection with satisfying people's real needs.

Inequality is inevitable, whether in a market or a command system. The difference is that, in a market system, the individual's urge to a better life is harnessed to the satisfaction of others' wants; in a command system, one person's success is bought at others' expense.

Running an economy is a job so massively complex that, as Adam Smith put it in *The Wealth of Nations*, "no human wisdom or knowledge could ever be sufficient." We need to leave it to the market because its system of transmitting information and motivation via prices is subtler than any human alternative.

One virtue of the market is that, since individuals as consumers exert control over production decisions, resources are diverted to those uses where they can yield most real benefit. Another virtue is that it maximizes the *quantity* of benefit derived from each resource and minimizes waste. By treating each resource as the private property of some individual, it gives that individual a motive to husband the resource so that it yields the most good.

The point can be illustrated by a trivial example. In my university department, two electric typewriters are housed in neighboring rooms. One is in the departmental secretary's office; legally she is not its owner, but in practice it is controlled by her, and no one else touches it without her permission. The machine next door is available for any member of the teaching staff to use. The secretary's typewriter is beautifully looked after; it has given many years of good service, and if any problem arises its "owner" has it seen to without delay. The "public" machine, by contrast, is mistreated badly. Users rarely replace the dustcover and sometimes even leave the motor running overnight; the typeheads fill with dirt, faults are left to cure themselves, the work done by the machine deteriorates, and fairly soon it will be a write-off.

Taking good care of an electric typewriter requires a certain amount of effort—it is quicker not to bother to replace the dustcover after use, for instance. To the secretary, it is worth making this effort because it is repaid in terms of easier and more satisfying work with the machine in the future. But many of the individual users of the "public" machine no doubt calculate, consciously or unconsciously, that it is pointless for them to do their share of looking after the machine, since they cannot force other users to be equally careful; so the machine is neglected.

This example is on a very small scale, but what is true on a small scale is true in the large. Consider, for instance, how stocks of some species of fish have been virtually eliminated by overfishing in the North Sea and elsewhere. Fish in the sea are a public resource, so no one fishing enterprise has a motive to restrain its catches. It cannot prevent others from taking the fish that it does not, so for each enterprise it is rational to take as much as it can while stocks last. If it were technically feasible, a liberal would

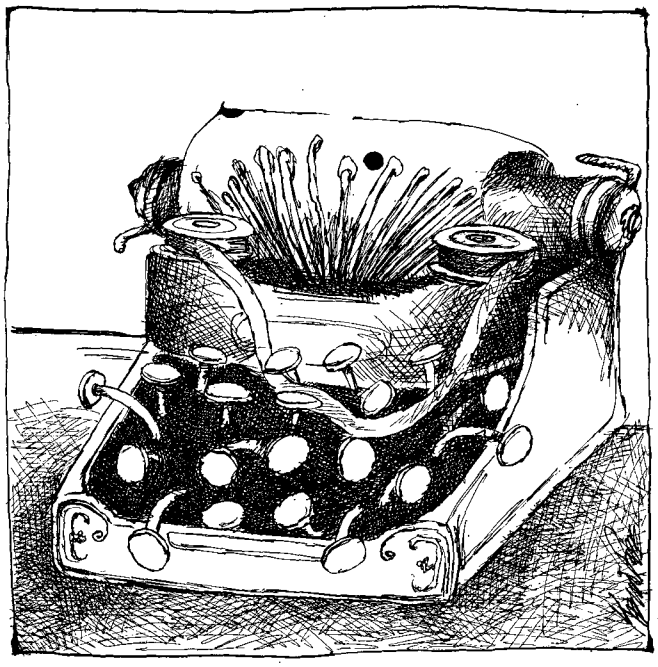
prefer the world's oceans to be divided up into privately owned sectors separated by underwater fences impermeable to fish; then it would be in the interests of each owner to take each year only as many fish as enabled the stock to keep up its numbers.

Replacement of the market by the command system of social organization is objectionable because it robs consumers of their power to influence producers and because it leads to wasteful, destructive uses of society's resources. Perhaps worst of all, though, it creates a class of people with a direct interest in further increasing state power and in misusing the resources that come under the control of the state: namely, state employees.

Any employee of the state has an interest in the growth of state power, because it improves his own career prospects. If this seems unduly cynical, consider how totally uninterested those who staff the welfare state have been in the idea of replacing it with a negative income tax.

The only serious argument that might be offered in favor of the welfare state is that it is designed to redistribute income from richer to poorer, which egalitarians regard as a desirable goal. In fact, it scarcely does this; in many cases it does the opposite. But, even if it did, there would be a far cheaper and fairer way to achieve the same goal. Milton Friedman, the University of Chicago economist who is probably the best-known contemporary advocate of classical, Adam-Smith-style liberalism, frequently points to the desirability in this respect of replacing the complex structure of state-produced benefits in kind (food stamps, medical care, housing, etc.) with a simple extension to the income-tax system. Just as those whose incomes exceed a certain level pay out a proportion in tax, so those whose incomes fall below a given minimum would receive cash benefits that they could use to buy themselves the necessities of life that they cannot afford from their own resources.

Friedman argues that it is absurd to conclude, from the belief that poor people need state help in order to get a decent level of medical attention or schooling, that the state ought itself to operate hospitals and schools. If private enterprise can use resources to achieve a given goal more efficiently than state agencies (and the truth of *this* is by now scarcely controversial), then surely the best solution must be for the state to give poor people the wherewithal to buy private medicine and schooling?



One argument against the negative income tax idea is that it would give the poor too much freedom. The criticism would commonly be wrapped up in vaguer language, but in blunt terms the objection is that poor people would squander negative tax payments on fags and booze rather than using them to pay for medical insurance. But this represents a staggering degree of paternalism. Someone who makes the objection presumably believes that he himself knows roughly how to apportion income sensibly between basic necessities and pleasant luxuries, but he apparently regards the poor as a group of childlike subhumans who cannot be entrusted with like responsibility for themselves.

State employees, however, ignore the idea of a negative income tax for a different reason: it would put a number of them out of a job and worsen the working conditions of very many of them. Hospitals, for instance, would need to be staffed whether they were operated by the state or by private enterprise, but private enterprise uses human resources—like any other resources—efficently; a private-enterprise hospital may have as many doctors and nurses working in it as a National Health Service hospital, but it is likely to manage with fewer administrators, and the administrators it does have will be expected to earn their keep.

If people employed by the state in responsible positions were sincerely and intelligently concerned to maximize the welfare of the ostensible beneficiaries of their services, they ought to be clamoring for the organizations they serve to be privatized and for the system of state benefits in kind to be replaced by a negative income tax. But they invariably oppose any such moves with fervor.

What is distinctive about a "welfare" state is that it provides the citizen with goods and services whose production and distribution can without difficulty be controlled by private market interactions. But what about the core of state activities that are necessarily performed by the state because the market is inherently incapable of providing them? The two obvious examples are defense of the realm and a judicial system that enforces private contracts and punishes force and fraud. More generally, there is the range of what economists call "public goods" (some economists prefer the term "collective goods").

A "public good," to an economist, is something that, if provided at all, cannot be provided exclusively to those who choose to pay for it—which makes it difficult or impossible to provide it through the mechanism of the market. The example commonly cited is the lighthouse: there is no way to stop sailors who have not subscribed to a private-enterprise lighthouse service from seeing its beams and acting on their warning, so it would seem to be impossible to run private-enterprise lighthouses profitably. (As it happens, the example is less straightforward than it seems: private enterprise did play an important role in the development of British lighthouses.) Defense might be regarded as a particularly central example of a public good.

Liberals accept that states are needed to produce public goods and also to limit the production of "public bads" such as

air pollution. But liberals would add that the categories of public good and bad must be defined narrowly, since the extension of state power needed to produce extra public goods or control extra public bads is itself a major public bad—as Milton Friedman puts it, "Every government measure bears, as it were, a smokestack on its back."

Defense, the judiciary, and the financing of public goods were for Adam Smith the three proper fields of state activity. Friedman, and many other contemporary liberals, would add to Adam Smith's agenda the duty of guarding the interests of individuals who cannot provide for themselves, such as children and lunatics. Most children are provided for by their parents; but if a child has unusually cruel or feckless parents, or is an orphan, he cannot fend for himself, and Friedman would argue that the state should look after him rather than leaving this task to private charity.

Again, however, any liberal would want to draw a tight boundary around the class of people who are regarded as nonparticipants in the market system because of youth or infirmity. One of the liberal's objections to the welfare state is that it effectively broadens this category to include masses of ordinary able-bodied adults in command of their mental faculties.

As we have seen, if this *is* to be done then the liberal method would be Milton Friedman's device of a negative income tax, rather than an array of benefits in kind. But Milton Friedman is a very moderate liberal, and many of his important works (such as *Capitalism and Freedom*, 1962) were published at a period when welfare-state ideology was much more ingrained in the public mind than it is now, so that there were limits to what he could propose if he hoped to be taken seriously. Younger liberals are less inclined to accept the legitimacy of a general policy of state redistribution of income.

Private charity has the virtue of being self-limiting: when the state takes responsibility for relief of poverty, it creates a set of people who have an interest in exaggerating the problem and setting the "poverty line" ever higher. Surely we are all familiar with the contradiction that members of the state salariat repeatedly talk as if the country contained an army of people in desperately penurious straits, while from one's personal experience one would be hard put to identify anyone so poor as to be an appropriate object of charity?

Most contemporary liberals would reject the concept of a progressive income tax, which redistributes across the whole range of incomes. If a "floor" of subsistence is provided it ought to be financed, like other state activities, from taxation that either falls equally on all citizens, like the annual membership fee of a club, or perhaps that is levied at a flat rate on all expenditures on consumer goods and services, on the ground that a person's total consumption measures his gain from membership in his society. Since state activities in a liberal society are few, taxation is low, so that questions about the precise system of taxation lose their urgency. But it is worth examining why liberals reject the idea of redistribution from richer to poorer, since, obviously, this concept lies at the heart of welfare-state ideology.

Command systems always tend to favor what is orthodox, what is seen as morally uplifting or in accordance with traditional values, rather than what is experimental or offbeat.

In the first place, even if morality were thought to require either equality of incomes or at least some closer approximation to equality than the market yields, there is no way that state action could achieve that result. If decisions are made politically rather than in the market, individuals do not stop striving to better their lot; they simply redirect their efforts toward the new source of benefits. If increased money incomes are robbed of their value to the individual by steeply progressive taxation, then people will strive to secure other kinds of benefit—money is only a device for getting real goods, after all.

Our state provides extensive subsidies for the arts—picture galleries, opera, and so forth. These are not in the economist's sense "public goods" (there is no *technical difficulty in charging for admission*), and it seems implausible that most of the poor people on whose behalf the welfare state is supposed to spend perceive a strong need for these things; but the upper-middle-class types who know how to influence the state like them, so the state gives them the opportunity of visits to the opera subsidized heavily by ordinary blokes out in the sticks who prefer relaxing in front of video recorders that they have to buy themselves out of after-tax income.

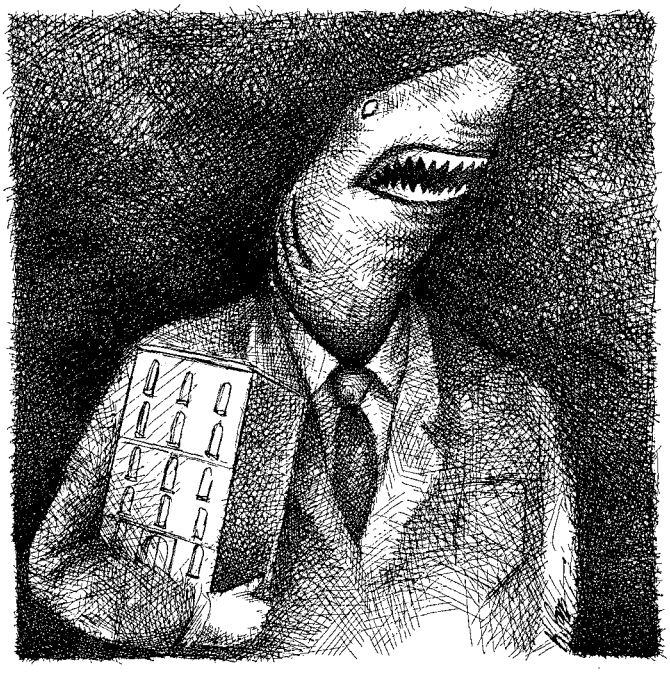
Inequality is inevitable, whether in a market or a command system. The difference is that, in a market system, the individual's urge to a better life is harnessed to the satisfaction of others' wants; in a command system, one person's success is bought at others' expense. To put the point very personally: the welfare state, looked at objectively rather than through rose-tinted ideological spectacles, is largely an enormously costly device for subsidizing people like me, with our "civilized," middle-class tastes. I cannot believe that people like me are a proper object of public charity.

Liberals go further and argue that there is no moral justification for redistribution. In a free market, if one individual's contributions to society are 10 times as lucrative as another's, then the first individual has given 10 times as much value and is entitled to 10 times the return. The state has no resources of its own; it can make the poor less poor only by making the rich less rich. For liberals, then, progressive taxation is not merely inexpedient (because, for instance, it reduces the incentive for possessors of highly valuable skills to work long hours) but actually immoral: it is a device by which society exploits its more prosperous members by taking their productive contributions and then depriving them of their fair return.

Particularly objectionable from a liberal point of view are taxes on capital, such as capital-gains tax or death duties,

since these are blatantly unrelated to any notion of payment in exchange for services rendered. Collectivists often justify capital taxes by suggesting that even a self-made man cannot be seen as having created his wealth independently: we are all dependent in all aspects of our lives on the society we inhabit, so our society has every right to decide how to dispose ultimately of the accumulations of wealth that rich men are allowed to use temporarily.

But this is a bad argument from a good premise. Of course society is an interdependent web, but the fact that a successful businessman may overestimate his individual responsibility for his achievement does not imply that he leaves unpaid debts behind him. Insofar as he drew on contributions from other individuals, he presumably paid those individuals the market rate for what they provided. There are no "debts to society" left outstanding.



And even if there were, there would be no way to repay them in cash. Society is an abstraction; it has no bank accounts. States like to identify themselves with the societies they rule, but that is intolerably presumptuous of them. A state is just one of many human organizations within a society—special in some ways, but not entitled to quasi-mystical reverence. The organization called the United Kingdom does quite a good job of providing Britons with security and conflict-resolution services, just as the organization called Marks & Spencers does a good job of providing us with underwear.

We are not tempted to confuse the Marks & Spencers organization with the immensely rich and complex web of interpersonal relationships, institutions, and patterns of behavior that we call "British society," and we ought not to make the same mistake in the case of the state. The reason why the United Kingdom inherits large portions of people's wealth when they die, whereas Marks & Spencers inherits nothing even from the most regular wearer of St Michael Y-Fronts, is not because the UK is owed the money but because the UK has a police force and, ultimately, an army, and Marks & Spencers has nothing of the kind.

Basic disagreements about morality are hard to resolve, because of lack of common ground on which to build agreement. We all know that socialists reject the morality of private property and market determination of incomes, pointing out that it is a matter of luck whether individuals begin life with natural talent, supportive parents, or an inheritance of material wealth, all of which are very relevant to how much they can later earn in the market. They often say also that the worth, in moral terms, of an individual's contribution to society cannot be accurately measured by his or her money earnings. To this the liberal replies that there is no other measure: we could not possibly agree on how incomes should be distributed if we seriously set out to decide in terms of moral worthiness. But it remains open to the socialist to argue that complete equality is the *moral* ideal, even if expedience dictates some divergences from the ideal in practice.

Yet the great majority of those who advocate this point of view are in practice grossly hypocritical. Few calls are heard for massive diversions of state resources from the British welfare state to overseas beneficiaries. Morally speaking, this is incomprehensible. In the Third World there is plenty of really horrifying, degrading poverty, of a kind unknown in Britain. If prosperous Englishmen have a moral duty to forgo their own earnings in order to benefit impoverished strangers, then the morality can hardly be affected by the question of whether the strangers live in Hastings or Falkirk rather than Dacca or Dar-es-Salaam.

Moreover, people on the left of politics often favor policies that severely *increase* international income differentials—for instance, the erection of trade barriers that prevent consumers here from trading freely with poor producers overseas and force them instead to maintain the incomes of relatively well-paid British producers. None of this is explicable in moral terms, but morals have nothing to do with it. "Compassion" is a useful piece of cant for politicians to win elections with, but what really determines how the welfare state distributes welfare is the fact that Britons have British votes and foreigners do not. Welfare benefits are bribes that help the state to maintain its power; there is nothing "compassionate" about giving away other people's money.

The real objection to the free market, I believe, is not a moral one but a paternalist conviction that poor people would not spend their money sensibly if their middle-class betters did not make their spending decisions for them. What evidence is there for an assumption of such breathtaking arrogance?

Take the case of schooling—arguably a favorable example for the socialist, because free-market schooling involves adults forgoing current consumption not for their own long-term benefit but for that of their children. If poorer people are indeed as feckless as supporters of the welfare state appear to assume, perhaps one of their most likely failings would be to neglect their children's education.

Yet what are the facts about schooling in England before the 1870 Education Act? In 1813 the philosopher James Mill wrote that, within a 50-mile radius of London ("which is far from the most instructed and virtuous part of the kingdom," as he added in an aside to his fellow Scots), "there is hardly a village that has not something of a school; and not many children of either sex who are not taught more or less, reading and writing. We have met with families in which, for weeks together, not an article

of sustenance but potatoes had been used; yet for every child the hard-earned sum was provided to send them to school."

In 1813 the growing prosperity of the Victorian period lay in the future; as the century wore on, there occurred what historian E. G. West has described as a private-school "explosion." By 1858, according to the Newcastle Commission on Popular Education which conducted an exhaustive statistical survey, virtually no child was failing to receive schooling, with the average length of schooling being 5.7 years. The ratio of children in school to the entire population was 1 in 7.7—more than in Prussia, where schooling was compulsory. The commission found that parents who were themselves uneducated were remarkably good judges of teachers; within a few weeks of a good man being appointed to a previously unsuccessful school it would be full to overflowing with new pupils.

What we regard as a proper amount of education for a child has increased since the mid-19th century. But so have working-class incomes. Is it suggested that the descendants of the parents who sent their children to private schools while living exclusively on potatoes have become so degenerate that they would grudge lesser proportions of their own, far more lavish, incomes? I cannot believe it; but if they really are so degraded, what can have degraded them if it is not the welfare state's endlessly repeated lesson that "Nanny will sort out the big things in life for you; you just get on with enjoying yourself on the pocket money that Nanny allows you"?

If parents were left completely free to buy whatever education they chose for their children, no doubt occasional parents would make very odd decisions that others might not see as being in the child's best interests. But then the state does that, too, without being able to plead poverty as an excuse.

What is likely is that the patterns of activity that emerged in a liberal society would differ quite a lot from the patterns of activity promoted by a command system. Command systems always tend to favor what is orthodox, what is seen as morally uplifting or in accordance with traditional values, rather than what is experimental or offbeat. Partly, no doubt, this is because people who attain positions of responsibility in a political structure tend to be po-faced men with traditional tastes, and partly it is because traditional values are perceived as supporting state power while "underground" movements may threaten it.

The consequence is that, although the world of business is often seen as hostile to iconoclastic, experimental styles of living, in reality just the reverse is the case. Probably many men in the record industry find the various waves of modern music as unpleasant as I do, but if it is what the kids want, then to a businessman his personal tastes are irrelevant—he produces the records, because there is a market for them. In a thoroughgoing command economy such as those of Eastern Europe, on the other hand, pop music is scarcely obtainable. The state asserts by implication that its tastes are the real, "proper" tastes, and conflicting tastes (however real for those who hold them) are somehow improper and not to be taken into account.

To put the point personally: the welfare state, looked at objectively rather than through rose-tinted ideological spectacles, is largely an enormously costly device for subsidizing people like me, with our "civilized" middle-class tastes.

It is ironic that so many partisans of this or that brand of "alternative society" believe that in some vague way socialism is on their side. The reality is that thoroughgoing socialism would be likely to kill stone dead almost all of their various attempts to create the good life. However, as Samuel Brittan, assistant editor of the *Financial Times* and a leading British advocate of classical liberalism, pointed out in his 1973 book, *Capitalism and the Permissive Society*:

> The values of competitive capitalism have a great deal in common with...contemporary radical attitudes. Above all they share a similar stress on allowing people to do...what they feel inclined to do rather than conform to the wishes of authority, custom, or convention. Under a competitive system, the businessman will make money by catering for whatever it is that people wish to do—by providing pop records, or nude shows, or candyfloss. He will not make anything by providing what the establishment thinks is good for them.

Brittan noted, however, that when it comes to the test of practical application, the market has at least as many opponents among Conservatives as among Labour supporters, and among businessmen as among trade unionists. There are now a few more genuine liberals in the Conservative Party than there are in the ranks of Labour, yet Brittan's point remains broadly true now, as it was in Adam Smith's day: businessmen and the propertied classes are no more natural supporters of a genuinely free society than any other group. Markets force them to cater to others' free choices, often much against their own instincts.

This, then, is the case for the market. It was made by Adam Smith two centuries ago; only a few years ago it was seen as a quaint hangover from the days before democracy turned the state into Everyman's servant rather than his master. Writing in the *Times* in March 1976, Harry Johnson described the current view of Smith among professional economists as "out of date and incompetent in the elementary theory of his subject." By September 1978 the *Times* recognized the resurgence of the liberalism that Smith preached as "the most interesting intellectual movement of our times." "The British socialist state," it predicted, "is doomed to disappear because it is felt by too many people to be a hateful way to run their affairs." ◧

Geoffrey Sampson is a professor of linguistics at the University of Leeds in England. *This article is adapted from* An End to Allegiance: Individual Freedom and the New Politics *(published in the United States by Universe Books, New York).* *Copyright © 1984 by Geoffrey Sampson.*

Marxist regimes have larger military forces — but not for the reason you might think.

Marxists: They Love a Man in a Uniform

By James L. Payne

There are 27 million men under arms in the world today. All nations combined spend over $700 billion per year on armies and armaments, a figure that averages out to 6 percent of world output and 20 percent of national-government budgets. What causes these great investments in military forces?

To some extent, these expenditures are reflections of each nation's policy purposes. One country may want forces to defend itself against possible attack, another to overrun a neighboring state, and so on. But that's not all there is to it. The military aims of a country do not dictate a precise level of forces—there is no way of knowing how many troops or how many tanks will be required to execute a particular defense or a particular conquest under some hypothetical future circumstances. National leaders can only guess. As a result, the military forces of different countries are not closely tied to their foreign-policy "needs."

Instead, a nation's force level tends to be set by default: it is the result of political and bureaucratic struggling. For those who seek to control armaments in the world, an understanding of this "structural" aspect of militarism is an indispensable starting point. A nation's armed forces are not only, or even primarily, the result of conscious, calculating leadership decisions, as many arms-control theorists would have it. Rather, the size and character of a nation's armed forces are shaped by the *structure* of the regime and the political processes within it.

I discovered this correlation in a study I conducted comparing the military-force levels of Marxist and non-Marxist countries. I compiled a list of countries adhering to Marxist-Leninist doctrine (see table on page 41), then looked up the "force ratio" of each. A nation's force ratio is the number of its full-time, active-duty military personnel per 1,000 population—one of the best indicators of a nation's commitment to military power. These data are compiled yearly by the US Arms Control and Disarmament Agency (and by the British Institute for Strategic Studies, whose figures are similar). I compared these figures with those for 109 non-Marxist countries.

Overall, the numbers show that Marxist regimes have armed forces more than twice as large as non-Marxist countries. The 32 Marxist countries for which data are available have an average force ratio of 13.3; for the 109 non-Marxist regimes, the average is 6.1.

This broad pattern holds up quite clearly when one compares countries similar in location, culture, and size. Marxist North Korea has a force ratio of 38.0; non-Marxist South Korea, 14.7. Marxist South Yemen has 12.5; non-Marxist North Yemen, 3.9. Marxist East Germany has 14.0; non-Marxist West Germany, 7.8. Nonaligned Marxist Yugoslavia has 10.9; neighboring, neutral, non-Marxist Austria, 5.3.

Europe's eight Marxist countries have an average force ratio of 13.8; the 17 non-Marxist European countries have an average of 7.6. The nine Marxist African countries have an average of 5.9; the 31 non-Marxist African countries, 2.1. The pattern holds for the superpowers as well: the Soviet Union has a force ratio of 16.3; the United States, 9.1.

To test the Marxism-militarism connection further, I looked to see what hap-

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pens to the size of a nation's armed forces after Marxists come to power. For the 10 countries where this type of comparison is possible, the force ratio under Marxism has increased, on average, 282 percent. Take, for example, Ethiopia, a poignant case of a recent transition to Marxist rule. In 1973, the last year of non-Marxist rule, the force ratio was 1.8; under Marxism, it has increased 355 percent.

I checked the correlation still further by introducing a control for national wealth, because the wealthier a country is, the more it spends on just about everything—hospitals, schools, parks—and this "consumption function" effect also operates upon military forces. The wealthier a country is—everything else being equal—the higher its force ratio. This effect, however, can be statistically controlled for by recalculating each country's force ratio as a "wealth-adjusted force ratio" (listed in the second column of the table). Wealth-adjusted force ratios enable us, then, to compare countries as if each nation had the same amount to

Marxism and Militarism

Force Ratios of Marxist and Non-Marxist Regimes

Selected Non-Marxist Countries	Force Ratio	Wealth-Adjusted Force Ratio
Western Hemisphere		
United States	9.1	4.6
Canada	3.3	-0.9
Mexico	2.0	0.4
Guatemala	2.3	2.8
Honduras	3.9	5.7
El Salvador	5.4	6.8
Costa Rica	1.5	2.6
Colombia	2.6	2.6
Venezuela	3.2	1.1
Brazil	3.6	2.7
Argentina	6.0	3.9
Chile	10.3	9.2
Europe		
United Kingdom	5.8	2.0
France	8.9	4.7
West Germany	7.8	3.6
Sweden	8.4	3.7
Switzerland	3.6	-1.3
Austria	5.3	1.5
Italy	6.9	3.8
Mid-East		
Israel	46.2	43.4
Turkey	13.3	13.5
Jordan	19.7	19.8
Egypt	10.0	11.7
Saudi Arabia	5.4	0.5
Iran	11.4	11.0
Libya	16.7	19.8
Africa		
South Africa	2.3	0.9
Nigeria	1.6	2.5
Ghana	1.0	0.3
Zaire	0.9	5.3
Liberia	3.5	5.8
Sudan	3.3	5.3
Asia		
Japan	2.0	-2.0
India	1.6	5.3
Indonesia	1.7	3.7
Thailand	4.8	6.1
Taiwan	27.2	25.9
Australia	4.8	0.5
Philippines	3.0	4.3

Marxist Countries	Force Ratio	Wealth-Adjusted Force Ratio
Albania	18.9	19.6
Angola	6.4	7.1
Algeria	6.0	5.2
Benin	0.8	4.1
Bulgaria	19.7	17.6
Burma	4.9	9.3
Cape Verde	10.0	12.9
China (Mainland)	4.3	5.9
Congo	10.0	10.4
Cuba	23.5	22.7
Czechoslovakia	13.8	10.0
Ethiopia	8.2	12.9
Germany (East)	14.0	10.0
Guinea	3.2	6.4
Guinea-Bissau	5.0	9.4
Hungary	10.5	7.5
Iraq	32.1	31.7
Korea, North	38.0	39.1
Laos	15.8	21.6
Madagascar	2.2	5.3
Mongolia	21.2	21.6
Mozambique	1.6	4.4
Nicaragua	27.8	28.7
Poland	11.9	9.3
Romania	10.5	8.1
Somalia	8.9	12.0
Soviet Union	16.3	13.3
Syria	30.9	30.4
Tanzania	2.7	6.1
Vietnam	21.5	25.8
Yemen (South)	12.5	14.8
Yugoslavia	10.9	9.3
Mean, 32 Marxist countries	13.3	14.1
Mean, 109 Non-Marxist countries	6.1	5.9

The force ratio is the number of active, full-time military personnel per 1,000 population (data are for 1982). The *adjusted* force ratio is based on the relationship between national wealth and the force ratio. Each country's figure represents the deviation of its actual force ratio from the force ratio it would be expected to have given its level of wealth.

Source: *World Military Expenditures and Arms Transfers, 1972-1982*, US Arms Control and Disarmament Agency (Washington, D.C., 1984)

spend on military forces.

When I averaged these wealth-adjusted force ratios, the gap between Marxist and non-Marxist countries widened still further, the militaristic bent of Marxist countries becoming even more apparent. Because Marxist countries are, on average, poorer, their higher force ratios are even more remarkable.

What accounts for Marxist countries' pronounced tendency toward larger military forces? At first, I thought it would be easy to explain: Marxist rulers were rationally acquiring these forces to carry out their foreign and domestic aims. But as I looked more closely at each possible reason why Marxist regimes might "need" greater military forces, I had to doubt this initial idea.

For example, we might suppose that the greater aggressiveness of Marxist regimes would explain their higher force ratios. After all, Marxist doctrine urges an ever-expanding world revolution, and many Marxist countries *have* attacked their neighbors. In order to carry out this expansion of socialism, this theory goes, Marxist countries acquire the needed military forces.

But this theory doesn't account for the consistency of the pattern. A number of Marxist countries aren't, or can't, be aggressive, yet they have high force ratios, too. Look at Mongolia, for instance. Sandwiched between the Soviet Union and China, and thousands of miles from the nearest non-Marxist country, it is necessarily nonaggressive. Yet its force ratio is an extremely high 21.2. Other countries in the same category include Poland, Romania, Albania, and Yugoslavia—they are not particularly aggressive, but all have high force ratios.

Furthermore, if aggressive countries always have high force ratios, then the point should apply to non-Marxist countries as well. But it doesn't. Argentina was clearly the aggressor in the 1982 Falkland Islands War (and also the aggressor in the dispute with Chile over the Beagle Channel Islands). Yet its force ratio was a mere 6.0, half that of Yugoslavia and one-quarter that of Cuba. Guatemala, which has militarily threatened neighboring Belize since 1972, has a force ratio of 2.3. An aggressive orientation, then, will not entirely account for the endemic militarism of Marxist countries, for aggressive non-Marxist countries do not have such consistently high force ratios.

Another suggested explanation of Marxist regimes' large military forces is that they need such forces for defense. The first exhibit for this argument would be Cuba: some say its force ratio of 23.5 reflects the danger of attack by the United States. But even if you agree that Cuba is threatened, its military forces are still abnormally large. Many non-Marxist countries also face threats from big neighbors, but they do not have such large armies. Finland, for example, borders the Soviet Union and was invaded by the Red Army in 1939. Yet its force ratio is 7.5, less than one-third Cuba's. Most non-Marxist countries threatened by the Soviet Union and its satellites have similarly moderate force ratios, including Norway (9.0), Austria (5.3), West Germany (7.8), Pakistan (5.2), and Japan (2.0). And, of course, the defense argument would not account for the high force ratios of Marxist countries not plausibly threatened by Western attack, including Albania (18.9), Bulgaria (19.7), and Laos (15.8).

Marxist countries, it is sometimes said, need large armies to suppress domestic opposition. But this theory, it turns out, is based on a fundamental misconception. In virtually all countries, the management of political opposition is handled by police forces—and by bureaucracies that give and withhold privileges. The regular armed forces are typically employed only when opposition takes a *military* form. Demonstrations, for example, are almost always controlled by police forces; even terrorist gangs, like the Red Guard in Italy, are mainly a police responsibility. Hence, the repressiveness of Marxist regimes would account for these countries' large internal security forces, but it would not explain their larger regular armies.

A few Marxist countries do have a violent domestic opposition, but here again we find the familiar contrast: non-Marxist countries with a similar problem have much lower force ratios. For example, the Marxist regime in Nicaragua, challenged by the *contras*, has a force ratio of 27.8. But non-Marxist El Salvador faces the same kind of threat from guerrilla forces in its territory, yet its force ratio is only 5.4.

Comparisons like these finally convinced me that the high force ratios of Marxist countries cannot be explained as a calculated response to a common need, for two reasons. First, Marxist countries don't share a common policy aim consistently enough to explain the consistency of the pattern. And second, when a non-Marxist country has the same apparent need for military forces as a Marxist country—for aggression, for defense, for internal security—its force ratio is typically much lower.

Since the pattern cannot be accounted for by assuming rational policy-making by the Marxist leadership, it must be traced to some institutional characteristic of Marxist regimes that operates to produce an undue expansion of the military sector. What might this characteristic be? Although several possibilities suggest themselves, the one that stands out is the highly dictatorial structure of these systems: Marxist regimes are totalitarian.

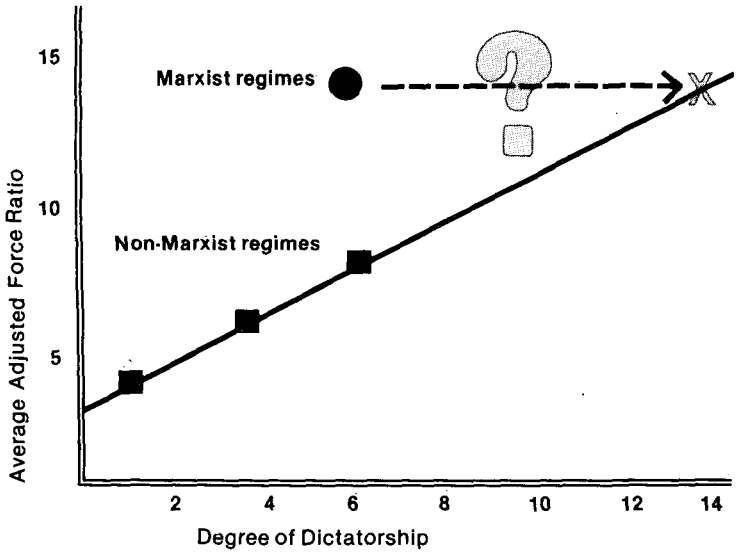
Marxist governments control all major activities: the media, economic life, the arts, sports, religion, science, education. Government restrictions on freedom in these realms inhibit the rise of independent centers of innovation, opinion, and influence, and the lack of diversity in these systems encourages the growth of the military sector. After all, any bureaucracy seeks to expand. It develops rationales for what it does and weeds out members who question the virtue of expansion. Military bureaucracies, in particular, are well suited to expansion, because soldiers have a natural edge in arguments: the weapons of war they wield inspire awe, and their mission of defending the homeland promotes respect. Therefore, the military bureaucracy is likely to prevail in disputes affecting its size, unless countervailing forces check it.

In a relatively free, pluralistic country, such forces will be numerous, ranging from commercial and consumer groups to media and academic sectors. But in a totalitarian dictatorship, there are practically no independent voices to contradict proposals for expansion. Hence, military outlays expand to higher levels.

In other words, Marxist regimes have large military forces not because anyone in them is saying "yes" to military expansion with more enthusiasm than elsewhere. The problem is that fewer voices say "no." When a Soviet general proposes yet another military base or yet another generation of missiles, for instance, no one dares to call his proposal foolish or unnecessary—an unlikely event in the United States.

If this theory explains the militarism of Marxist countries, then it should work for non-Marxist nations, as well. Countries with a more dictatorial structure should have larger military forces than freer, pluralistic nations. To test this idea, we need an indicator of the degree of dictatorship in the different non-Marxist countries. One such measure is provided by Freedom House, a New York–based organization that assesses the status of political and social freedom worldwide. Freedom House ranks countries according to the degree to which the

Force vs. Freedom



The degree of dictatorship is based on the Freedom House 1982 ratings of each country's observance of civil liberties. Thus, civil-liberties rankings of 1 and 2 place the country in the "low" dictatorship category; rankings of 3 or 4, in the "medium" dictatorship category; and rankings of 5, 6 or 7, in the "high" degree of dictatorship category. (Force ratios are adjusted for national wealth.) In the "low" category there are 31 non-Marxist regimes; 23 in "medium"; and 55 in "high." The 32 Marxist regimes fall into the "high" category, as well.

government allows freedom in the media and public opinion and respects private rights in education, occupation, religion, residence, and so on.

The Freedom House rankings serve as a rough measure of a country's degree of dictatorship. Nations high in respect for civil liberties (ranks 1 and 2) can be labeled "low" in their degree of dictatorship; nations ranked 3 or 4 can be classified as "medium"; and countries ranked 5-7 can be considered "high" in their degree of dictatorship.

On the graph above, the squares indicate the non-Marxist countries, grouped by their degree of dictatorship—low, medium, and high—and plotted against each group's adjusted average force ratio. As the graph shows, there is a clear effect in the expected direction: the more dictatorial a country, the higher its average force ratio. The "dictatorship effect" is confirmed.

But the graph also reveals an anomaly: Marxist and non-Marxist dictatorships do not come out equal. The Marxist countries, designated by the circle on the graph, have a much higher average force ratio than you would expect, given their level of dictatorship.

What has caused this outcome? Is there some factor, in addition to the dictatorship effect, that makes Marxist countries more militaristic? It could be. But I find another explanation more persuasive—namely, that the Freedom House measurements of dictatorship are distorted. Marxist regimes have actually been given an average score of 6, whereas—my suggested interpretation goes—they should have a much *higher* score (say around 14). This would place them at point "x," right where the dictatorship theory would put them.

What justifies this interpretation is the bias of the American media in reporting on freedom and civil liberties around the world. The media tend to concentrate on violations of only one type of freedom—the freedom of political opposition. This freedom involves the right to criticize the government in the mass media or before a mass audience. Naturally, journalists report extensively on violations of this freedom, because they involve prominent political leaders or newsworthy mass-protest activities.

The media virtually ignore, however, violations of other freedoms that affect the dreams and daily lives of citizens: the freedom to work, the freedom to buy and sell property, the freedom of non-political expression, the freedom of movement, the freedom to organize non-political groups. These are the "quiet" freedoms. They are rarely noticed by reporters, because ordinary people, not newsmakers, suffer when governments clamp down.

Typically, Marxist countries restrict *both* the freedom of political opposition and these other "quiet" freedoms. Non-Marxist dictatorships restrict the freedom of political opposition, but they do not so greatly restrict all these less-noticed rights. Consequently, non-Marxist countries are actually much freer than indicated by media reports. But an observer who relies on media reports will tend to equate Marxist and non-Marxist dictatorships as equally repressive. This appears to have happened in the Freedom House tabulations.

In Guatemala, for example, there certainly have been violations of the freedom of political opposition. But in Guatemala—just to take one example—there is a private university, Francisco Marroquin University, that was founded to combat the economic doctrines dominating government policy and the government-run university system. It is unthinkable that such an independent, critical institutional voice would be allowed to exist in any Marxist country. Yet Freedom House gives Guatemala a civil-liberties ranking of 6, precisely the same as it gives Cuba, Czechoslovakia, Romania, and Vietnam—and a *worse* ranking than Hungary, Poland, and Yugoslavia.

The same questionable classification has occurred for many other non-Marxist countries, including South Korea, Chile, Indonesia, Egypt, and Saudi Arabia. These countries' failure to respect the freedom of political opposition has led the Freedom House writers to rank them with the Marxist countries in their overall level of respect for civil liberties.

It is therefore quite possible that a valid measure of the lack of freedom in Marxist regimes would clear up the anomaly in the graph above and reinforce the dictatorship theory of militarism: the Marxist countries have higher force ratios than non-Marxist dictatorships, because the Marxist regimes are much more thoroughgoing dictatorships.

Regardless how the explanation works out, the underlying finding remains: Marxist regimes have dramatically larger military forces than non-Marxist countries. One cannot address the problem of militarism in the world today without coming to grips with this basic reality. ◻

James Payne has taught political science at Texas A&M University. He is the author of books on Latin America, social science methods, American foreign policy, and political leadership. The complete analysis on which this article is based will be published in the journal Polity *in 1986.*

By Dwight R. Lee

The Price Blackout

More than any other profession, journalists are aware of the value of open communication and a free flow of information. Certainly no group is more adamant in its condemnation of politically inspired censorship. It is therefore surprising to realize that journalists routinely report sympathetically on a certain kind of political censorship.

The censorship I have in mind is a result of government restraints that block the free flow of price information. In our highly specialized society, market prices communicate crucially important information—to consumers, about product availability; and to producers, about consumers' choices. This price information permits coordination between the plans of consumers and producers that promotes both economic productivity and social harmony.

Government policies that force prices above or below what they would be in a free market thus involve censorship. They violate the right of free expression just as if the government dictated the content of the daily newspaper. And, as with any censorship, such policies impose genuine harm on people, often the very people that supporters of the controls want to help.

Our minimum-wage laws, for example, make it illegal for an unskilled youth to communicate effectively with a potential employer. Many youths would like to tell employers, "I have few skills, and college is out for me. So if a low wage is all you can manage I am willing to work for little now, while I have few financial responsibilities, in order to acquire on-the-job experience and training." Without the censorship of minimum-wage legislation, thousands of unemployed youth could be productively preparing for their future in jobs that are now denied them.

Agricultural price supports are another example of this kind of government censorship. It victimizes all consumers, but particularly those whose low income makes hunger a real concern. May a poor family communicate through the marketplace its willingness to buy milk at the lowest price that dairy farmers would be willing to accept? No. That communication is currently illegal in the United

states, where milk prices are propped up by the government. Journalists have the opportunity both to strike a blow against censorship and to rally to the cause of the poor. Unfortunately, most journalists see less connection between hunger and price-information censorship than they do between hunger and comments by Ronald Reagan.

Other examples of censorship that journalists seldom recognize as such are rent controls, equal-pay-for-equal-work legislation, tariff duties on imported goods, and still-existing price controls on natural gas. But by censoring market information, these restrictions impair communication that is in some respects more important than that protected by freedom of the press.

Journalists could *fill* newspapers with stories of jobless teenagers and write compellingly of the need to expand employment opportunities for our nation's youth. But the effectiveness of this information would be nil in comparison with lower wages, which would serve to tell employers that teenagers are willing to work for less. Similarly, if consumers want access to natural gas or nicer apartments, expressing their demands through uncensored markets will be vastly more effective than writing letters to the editor.

This is not to argue that we should be happy with low wages and high prices. Low wages inform us that productive skills are lacking, and high prices tell us that important products are in short supply. But bad news, whether from the market or elsewhere, is no excuse for suppressing the news.

It may be objected that freedom of price communication discriminates against those with fewer financial resources. But if this is so, then traditional freedom of speech discriminates against those with less savvy or intelligence. Although those who are knowledgeable and articulate have in many respects a great advantage over those who are not, clamping down on the free press is not justified in an effort to protect the ignorant. Nor is denial of freedom in market communication justified in hopes of protecting the poor.

Indeed, censorship would work to the long-run disadvantage of both the ignorant and the poor. Just as free verbal and written expression offer the best hope for developing intellectual skills, so does free market expression offer the best hope for developing economic skills.

We cannot, of course, depend on free-market communication being always honest and accurate. Some firms will have the market power to distort prices in their favor. The unscrupulous will often be able to misrepresent their products to the disadvantage of the unwary. But who is prepared to deny that analogous distortions and misrepresentations often creep into the news, books, magazines, and so on?

Such imperfections can never be eliminated; they can be moderated and countered by maintaining open communication. The best way to control the harm of misinformation is with the competition of free expression. And this is just as true with information expressed through prices as it is with information expressed through words.

As advocates of freedom in communication, journalists should find government attempts to control prices just as abhorrent as they find government attempts to control the news. Neither has any place in a free society.

Dwight Lee teaches economics at the University of Georgia.

By Mark Skousen

Pound on The Rebound

Doctor Samuel Johnson once said, "If you tire of London, you tire of life," and he was so right. But let me take a break from my holiday in the Greatest City in the World to tell you about a very important development here and how to profit from it.

Centuries in retreat, Britain is now experiencing a remarkable recovery, and London, the financial center of the world, is leading the way. "The whole country is staging a recovery," British financial advisor Jon Golding told me. "I have sensed a real change in attitude and economic activity recently." He feels that the British pound under $1.50 is a good buy, and I agree.

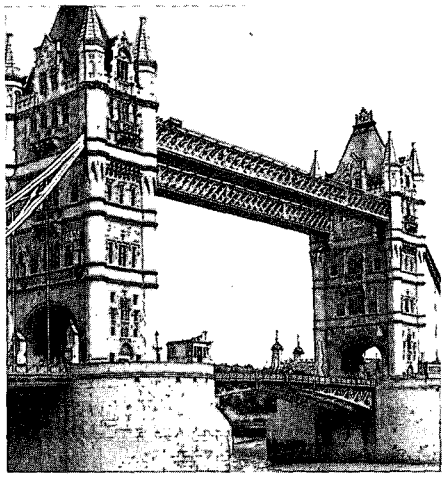
I also spoke to Dr. Madsen Pirie, director of the influential Adam Smith Institute, a free-market think tank that has had a significant impact on the Thatcher government. He says that Britain is on the move again for two reasons: marginal tax rates have been cut from 98 to 60 percent, and the British government is "privatizing" a wide variety of inefficient government agencies and services. These new trends have created a boom in many British industries. So far, Thatcher has privatized all or parts of several government holdings, including hotels, land, buildings, steel, oil, sugar, and, in the near future, British Airways and the Post Office.

Another factor favoring Britain's outlook is the "high interest, low inflation" period the country is going through. The situation is uncannily similar to the US experience in the early 1980s under Reagan. Britain's interest rates (12-13 percent) are extremely high compared to the rest of the Western world, while price inflation remains at 5 percent.

How to profit? There are several avenues:

First, open a "high interest" checking account at Lloyds Bank in London. You can earn over 12 percent a year on this unique checking account, which is in British pounds. Interest is earned daily, but paid quarterly. Minimum investment is only $3,500.

In addition to the checkbook, you can obtain an American Express gold card and a line of credit of approximately



$10,000. It's a great plan. A branch of Lloyds I can recommend, one that deals frequently with Americans, is: Lloyds Bank, Elephant & Castle Branch, Elephant & Castle Shopping Center, London SE1, England (Brian Ray, manager).

Second, invest in London real estate. The real estate market in London has been booming, up 20 percent in the past year—and that's in pounds! Still, London houses and flats are relatively cheap compared to New York or California.

I don't recommend taking out a mortgage in pounds, however, because of the appreciating sterling and high mortgage rates. Better to borrow in dollars, not pounds. You can still get a nice two-bedroom flat in the center of London for less than $100,000—a bargain, in my opinion. And rental income is good, as long as you rent only to foreigners, companies, or individuals "on holiday." Don't rent to local Brits on a long-term lease, because it's virtually impossible to evict them, even if they aren't paying the rent. There's considerable talk of abolishing these unprogressive rules—but until then, play it safe. (If you are interested in London real estate, contact the agency Phillips, Kay & Lewis, 67 Jermyn St., London W1, England.)

Third, buy London stocks and mutual funds. Hundreds of foreign stocks and mutual funds are traded and issued through London. The best way to get involved is to buy a few good mutual funds through a London broker. Unfortunately, because of the US Securities and Exchange Commission's anti-foreign investment attitude, it is difficult to find a London broker who will do business with an American. But it's not impossible. Gary Scott, an American with lots of experience in London, can give you full information on investing in London-based mutual funds (Gary Scott, President, INEX, P.O. Box 1427, Naples, FL 33939).

Fourth, buy insurance funds and investment products. There are several choices. For example, Eagle Life Assurance Co., one of the largest insurance companies in Great Britain, offers a unique "international bearer bond," issued in either US dollars, British pounds, or "Eagles" (a quasi-currency made up of a combination of four currencies—dollars, pounds, yen, and German marks). The bond pays a decent yield and can be issued in "bearer" form, meaning that the bond does not have your name on it, only a number. The bond can be redeemed at any time. Minimum investment is only $3,000.

"Endowment" policies in major currencies are another possible investment. Endowments are similar to bank certificates of deposit, but are issued by major insurance companies and include a term policy. The endowment matures in several years and pays tax-deferred income. You can also borrow against the policy. (For full details, write to Robert Edgar, Director, Edgar Ward Ltd., 15 Minories, London EC3 N1NJ, England.)

If I have piqued your interest in investing in London, I also urge you to get a copy of an excellent report, "Special Report on the British Isles," by Gary Scott (available for $19 from International Living, 834 E. Baltimore St., Baltimore, MD 21202). Gary has some excellent first-hand experience in visiting London, including the financial advantages, specifics on stocks and mutual funds, things to do, real estate, even shopping tips. It's a must if you want to become an international investor.

Mark Skousen is the editor of the newsletter Forecasts & Strategies *and the author of several books on investment, including* High Finance on a Low Budget.

By John Dentinger

Computer Independents

To many who daily battle traffic to work and back, the idea of combining home and office is an appealing dream. Husband-and-wife team Paul and Sarah Edwards not only live that dream but are helping to make it come true for others. Their Association of Electronic Cottagers (AEC) is partly a support group for the cottage industries made possible using personal computers and partly a rights watchdog for home workers.

Hundreds of thousands of users nationwide are turning their computer purchase into profit by starting businesses, notes Paul Edwards. They work at accounting, word processing, free-lance writing, computer programming, mailing lists, and many other businesses.

Some have been so successful that they have left their 9-to-5 jobs, while many others free-lance at home after work. And some remain employees of companies but enjoy the flexibility of working at home and setting their own schedule, linking up with employers' computers via telephone.

The AEC evolved out of an international computer network, the Work-at-Home special-interest-group (SIG) of CompuServe, an interactive data base service for computer users. The Edwardses began this SIG because they wanted to meet other entrepreneurs and believed others had the same need. "Now people can connect up and take an electronic coffee break together!" says Paul. Via this network, authors have met co-authors and publishers, business partners have met business partners, and yes, even a romance or two has developed.

One hot topic on the network is the political counterrevolution against computer independence. The AFL-CIO and other labor unions see the decentralization and autonomy facilitated by electronic cottaging as a threat to their prerogatives. So, trying to copy their decades-long success in having home-based knitting work banned, they have urged that telecommuting be banned. In addition, local bureaucrats, wielding zoning laws, have put some home computer workers out of business.

But the Edwardses see things differently. They have put together an Electronic Cottage Bill of Rights that is strongly individualist. Among its provisions:

> Legislatures shall make no laws prohibiting freedom to work in one's home with a computing and/or robotic device when that work does not interfere with neighbors' enjoyment of their own homes and communities.
>
> A productive and entrepreneurial economy being necessary to the vitality of a free nation, and electronic cottagers being among the most productive workers in our society, the ability of people to realize their full economic potential shall not be unreasonably infringed.
>
> Zoning officials and public administrators shall not unreasonably prosecute and enforce outmoded laws and ordinances written for other eras against electronic cottagers.
>
> The right of people to be secure in their homes and communications shall not be violated.

The AEC alerts members to legislative and regulatory threats to their independence, provides petitions that can be customized for different communities, and recommends techniques for effective lobbying against controls. Home computer users are urged to join AEC to "protect your freedom to pursue electronic cottage opportunity."

Those who think of computers as cold and inhuman might be surprised at the route by which the Edwardses came to their interest in the machines. In the late 1960s, Sarah was working as a training director for the Department of Health, Education and Welfare and later for the University of Kansas Medical Center. She began getting tired of driving or taking the bus to work. In 1973, being a licensed clinical social worker, she opened a therapy practice at home. Paul, meanwhile, practiced law for several years, then went into management, first in the public sector, then as president of the Environmental Research and Development Foundation, then as head of his own consulting firm—at home—in 1974.

Paul and Sarah Edwards

Paul and Sarah, with their knowledge of the Transactional Analysis "child/adult/parent" model of personal interaction, began to see that the government plays too much the role of the parent, making a lot of unnecessary decisions in people's lives. Yet, as Paul puts it, "The vigor of our society is in entrepreneurship and freedom to pursue opportunity. The whole personal computer movement puts into people's hands a very powerful money-making, entrepreneurial tool."

Paul and Sarah decided to become partners. Working from their home in Sierra Madre, California, they began consulting and wrote several books to help people take advantage of these entrepreneurial opportunities.

Working from home, notes Sarah, means "You don't have to choose between career and family and personal commitments. The potential for bringing the family together is really large." Their 18-year-old son, Jon, is an engineering student at UCLA.

Working from home needn't mean being tied to the house, they point out. During a promotional tour for their latest book, *Working from Home, The Complete Guide*, the Edwardses stayed in touch with their CompuServe SIG by means of a lap computer. The very network made possible by the latest communications technology is making it easier for individual entrepreneurs to resist those who would cramp their style.

John Dentinger is a free-lance writer who works out of his home.

Strange advice from the authors:

BURN THIS BOOK

But that's only the beginning, if the peaceniks have their way and Russia ever does take over. The alternative might be to spend the rest of your days up near the Arctic Circle.

Say, what's going on here? Has the Conservative Book Club suddenly started offering kooky books?

Not on your life — and we use those words advisedly. This one is by Robert Conquest, who probably knows as much about the Soviets as any Westerner alive today. Conquest, now a senior research fellow at the Hoover Institution, wrote the classic study of Stalin's reign of murder, *The Great Terror*. Co-author Jon Manchip White is the Lindsay Young Professor of English at the University of Tennessee. So you'll be reading a serious book about a grim possibility. This isn't a *1984*-style fantasy. *This book is based entirely upon what hundreds of millions have suffered when the Communists took over — but with ingenious variations added especially for America.*

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- The unlucky 20 percent: what awaits us. And for those *not* arrested, you're doomed to the daily grind, which Conquest and White spell out in detail.
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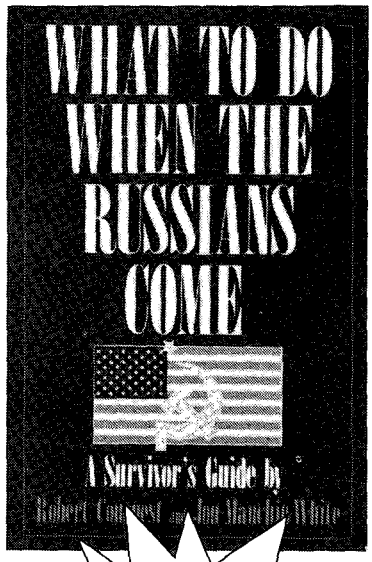

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PBS's WAR to End All Wars?

By Jim Trotter

At least two views of society compete to explain its function. One is that humans are inherently aggressive beings, constrained to orderliness by the superimposition of social rules. It is thus *society* whose survival is of paramount importance. Individuals must obey the rules of society and succumb to society's "needs" as determined by its leaders in order to avoid chaos. The other view is that society exists because individuals voluntarily join together to advance their own interests through cooperation, division of labor, and trade. Society exists *for individuals.*

Gwynne Dyer, in his eight-part TV series *War*, airing on PBS stations beginning October 1, subscribes to the first view. The series of one-hour programs offers numerous tidbits of fascinating information about wars past and present. But Dyer's preoccupation with man-the-aggressive-animal continually flaws his analysis of why war occurs.

Dyer has degrees in history from Rice University and the University of London but left teaching in 1973 for a career in journalism. His radio program *Goodbye War* first aired in Canada in 1979 and is the reputed inspiration of the present TV series.

In the first episode, "The Road to Total War," Dyer offers what he professes is a brief overview of the history of war. He confines his saga, however, to the period from Napoleon to the present, thereby limiting his conclusions.

War in the 20th century, according to Dyer, differs fundamentally from war in the past. In modern war, the "role of the soldier has become obsolete due to the advance of technology....The soldier now serves machines." But this observation can hardly be made uniquely of modern times. The same complaint has been periodically leveled at least since medieval times, when Roman popes condemned the use of the crossbow because, in allowing commoners on foot to match noblemen on horseback, it took the valor out of combat.

In fact, there is little that is in essence distinctive about modern war. Contrary to Dyer's repeated assertions, wars have always been devastating. They have often included pillage, rape, and destruction of "civilian" populations. To claim otherwise is to ignore, for example, the Crusades, the wars that expanded the Roman Empire, or innumerable wars among feudal warlords in the Orient. To be sure, we have modern cataclysmic weapons, but it is not technology that determines the essence of war.

Gwynne Dyer: Preoccupation with man-the-aggressive-animal flaws his TV series WAR.

The development of those cataclysmic weapons is the subject of Dyer's sixth episode, "Notes on Nuclear War." He describes the progression to modern war as commencing from the use of set-piece, horizontal warfare in the Battle of Borodino in 1812 (Napoleon's victory here facilitated the capture of Moscow), to the use of rifled muskets at Manassas in the US Civil War. This led then to machine guns in World War I and thus the horror of continuous battlefronts. The introduction of tanks and airplanes, making possible moving fronts and blitzkriegs, advanced the march of military destruction. Out of this steady progression of warfare technology emerged a military-industrial complex in the West.

As a depiction of technological evolution, the episode is worth watching. But the accompanying analysis is flawed.

Like war itself, according to Dyer, this technological progression is the result of man's aggressive and competitive nature. Each nation attempts to outpace the others; and within each nation, military branches compete to outdo one another as military leaders vie to advance their careers. Dyer concludes that what is needed to stem the tide of aggression and technological advance is a "higher" coercive authority—a theme that pervades the series. In his discussion of the military-industrial complex, however, he entirely overlooks the context in which individual military leaders operate: the modern central state.

That's what Dyer misses throughout by focusing so relentlessly on human aggressiveness. The Napoleonic era, for example, *is* significant, but not for the reasons Dyer identifies. Though mass conscription began with the Napoleonic wars, the practice was essentially only an evolution of the serf's allegiance to his lord in exchange for protection.

The real significance of the Napoleonic era was that it produced the modern state, whose authority was secured by a standing army. What was "new" or "modern" about the Napoleonic era was the increased power accorded the central state—a state that was not merely autocratic or monarchic. Instead, it was bureaucratic and thus essentially capable of running itself without a single, indispensable leader. The modern central state is an institutionalization of the view of society as all-important and necessary to prevent chaos among naturally aggressive individuals. Because Dyer endorses this view, he fails to comprehend the pivotal importance of the central state in unleashing aggression and fostering coercion, rather than enhancing peace.

Dyer's attempts to explain why war occurs are thus hopelessly clouded by his view of humankind. In episode

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two, "Anybody's Son Will Do," the viewer gets an inside picture of a US Marine Corps boot camp and, in episode three, "The Profession of Arms," an inside look at the lives and motivations of career officers. The thrust of both is that armies can "change people to do things they wouldn't even think of." Dyer's thesis seems to be substantiated in the fascinating footage presented.

Yet the presentation is deceptive. He tries to illustrate how conscription can be used to render any individual a "killing machine," but the boot camp he films is peopled with *volunteers*. Would the basic indoctrination during times of mass conscription be so uniformly effective? Ample evidence suggests not. Nearly half of all US conscripts put into combat situations in World War II never fired a single shot according to some military experts.

The episode does reveal, however, an important consideration that turns up elsewhere in the series—the emotional attitude of the trainees and how they can be manipulated. Exaggerated love of family, confused sexuality, the adolescent need to belong—all can be played upon to induce aggressive group behavior and fervent nationalism.

But Dyer doesn't investigate the nature of the state and how, relying as it does on coercion, it serves to arouse and utilize aggression. He repeatedly contends that we are *all* responsible for war. We "believe" in war, and so wars continue to plague us. We all "participate" in war directly or indirectly (he conveniently ignores draft evaders, war protesters, war-tax resisters, and so on). We are all responsible for war because we are inherently aggressive. We are only prevented from warring with one another because governments, with coercion at their disposal, keep us reined in. Nation-states, on the other hand, are not subject to any overriding coercive authority that can mandate the peaceful resolution of disputes.

Yet herein lies the central contradiction of Dyer's thesis. War is essentially the most extreme form of coercion. Peace is not the absence of war; it is the absence of coercion. But to prevent war, Dyer appeals to an overarching world authority—one that could "coerce" us into peace.

Dyer's peace prescription follows naturally from his view of man, state, and society. He believes the world runs on power—the power of states to coerce individuals and combat other nation-states. This is a point he makes frequently and attempts to illustrate clearly in "The Deadly Game of Nations," an episode that turns to the Middle East and Israel. In fact, however, the world runs on cooperation. If this seems an incongruous statement in our pessimistic era, consider that *the vast majority of interactions among individuals are voluntary and peaceful.* If anything, the case of Israel, with its triple-digit inflation, economic fragility, and perpetual insecurity, illustrates the chaos suffered by a region dominated by power rather than cooperation.

In viewing war, not coercion, as the fundamental problem, Dyer is unable to distinguish between offensive and defensive war. Offensive wars represent attempts by states to impose their rule on others. But to engage in war to protect individual rights is defensive. Dyer, in focusing on group survival rather than individual rights, sees all modern war as bad. His framework must almost inevitably lead to this conclusion.

Throughout the series Dyer leads the viewer to believe that nuclear war is the logical result of any defensive action today. He accepts the prevalent military view that a nuclear war will most likely result from defensive efforts on the European front to stave off Soviet aggression. The West, Dyer believes, will be unable to repel a conventional ground attack sufficiently rapidly in the region and will be compelled to resort to nuclear weapons. Nuclear war between the two superpowers will result—a scenario so awful that we must, if we are to survive, accept his solution. We must give up our independence to a "world government."

This analysis, presented most explicitly in episode five, "The Same Old Game," ignores military reality. The 75 wars that have occurred since the debut of the United Nations and the atomic bomb have been primarily guerrilla wars. The most likely confrontation between East and West will be in the Pacific or in some Third World country, where resort to nuclear weapons between the two superpowers is much less likely for tactical and political reasons.

Even if nuclear war is a possibility, however remote, Dyer's "world government" provides no enduring solution since it would enhance the capacity of the central state to undermine individual rights, an outcome that would produce, not peace, but increased potential for upheaval.

In episode seven, "Goodbye War," Dyer quotes Sherlock Holmes, who once opined that "when you eliminate all the impossible solutions, what you have left, no matter how improbable, is the answer." Assessing the history of war and our present capacity for self-destruction, Dyer finds that improbable answer in a sort of enhanced United Nations that would have the power to coerce us into peace. Says Dyer, "the globe will not be free until the countries have created a higher authority" and will "give up so much of their sacred independence."

What Sherlock Holmes might point out is that Dyer's calculations omit one possible solution—reducing the powers of central governments, no matter how improbable it might seem. In fact, alongside the state military-industrial complex that so preoccupies Dyer is unprecedented evidence of humans' propensity to cooperate. The international marketplace flourishes, even between East and West, representing the *real* hope for a peaceful future.

Jim Trotter is a Marine Corps veteran who served in Southeast Asia from 1961 to 1963. He now owns and operates a business in California.

The Shocking Truth about Walt Disney

By Calvin Levy

"Walt Disney." The name itself evokes warm thoughts in parents. Words like *wholesome* and *safe* come to mind. Ministers lament the dearth of "Disney-type" movies. Leaders of the Moral Majority chime in. It's as if the Disney organization were the very embodiment of traditional values and the Judeo-Christian heritage.

What's wrong with these conservatives? If they only knew! Look at the PG-rated film *Splash. PG!* It had a *naked mermaid* and *live-in lovers*, for heaven's sake. (A smashing success, too.) Okay, that's recent. But I ask these fans of Disney: where are the religious, family-oriented values in Disney's classic cartoon features? Goofy and Donald and Mickey as symbols of filial piety and civic virtue? Come on!

But the real clincher is to visit Disney's Magic Kingdom itself. Wow! A recent visit of my own to Florida's Walt Disney World/Epcot tourist complex opened my eyes to just how downright subversive the whole Disney phenomenon really is. Conservatives, ministers, parents who want good, "family-type" entertainment—they've all got to face the alarming truth, no matter how shocking: far from being an embodiment of traditional Judeo-Christian values, the Disney organization is an exemplar of *secular humanism*—that's right, the man-centered philosophy, *promoted by liberals*, that moral principles and values come from humans, not from divine revelation.

Just start looking carefully at Disney productions—the disregard for religious values jumps out at every turn. How could concerned parents have missed it all these years? Most of Disney's best-loved full-length animated features are fairy tales—Cinderella, Snow White, Sleeping Beauty, etc.—that involve a matter-of-fact acceptance of *magic*. Old Walt was pretty sly, too. The Devil himself is never depicted—but *witches* are shown accomplishing numerous ends via the *black arts*. And even when the perpetrator of magic is a good guy (remember Peter Pan?), his magic powers are *entirely pagan* in character.

So what's all this nostalgic pining after "good old Disney movies"? There's even glorification of *hallucinogens* in Disney's *Alice in Wonderland*! How can Disney possibly be considered wholesome fare?

As I said, though, I'd never realized the horror of it until a recent visit to Walt Disney World. It was while riding through "Pirates of the Caribbean" that the flash of insight struck: here was scene after scene displaying utter debauchery—pirates looting a seaport, getting drunk, chasing women, even auctioning them off!—and all the while a jolly tune urges, "Yo-ho, yo-ho, a pirate's life for me!" True, "Pirates" is presented with several touches of obvious humor. Walt probably wanted us not to take it so seriously. *But do the five-year-olds get that message?*

As to the Magic Kingdom's other attractions—many of them recreate Disney cartoon films, and the secular and magic themes are front and center. The popular Haunted Mansion is a veritable hymn to black magic and glorification of the dead—without even a nod to the Christian belief in resurrection. Instead, the implicit message is that if anything lies beyond the grave, it is the *pagan spirit world*.

Then there's the trick the Disney parks employ to attract teen-agers: *rock-and-roll music* at every turn. Live rock bands and recorded rock music are staple features at California's Disneyland and Florida's Magic Kingdom. And everyone knows how *hedonistic* and *anti-authority* today's rock lyrics are.

But the Disney organization doesn't just spurn traditional, religious values. It also reeks of the *glorification of humanity* characteristic of secular humanism. If conservatives would go into the newest addition to the theme parks—Epcot, for Experimental Prototype Community of Tomorrow—with eyes open, as I recently did, they'd *have* to see it.

Old Walt was pretty sly. The Devil himself is never depicted—but witches are shown accomplishing numerous ends via the black arts.

The theme building of Epcot is a huge geodesic sphere that houses the AT&T "Spaceship Earth" exhibit. Since this is the first pavilion the newcomer encounters, it's where most visitors begin their Epcot experience—and it sets the tone for the entire park.

In "Spaceship Earth" you sit two-by-two in enclosed, moving seats that traverse a series of exhibits within the sphere. As the track slowly spirals upward, you are presented with an entirely *secular* account of human history, beginning in the depths with proto-human cave dwellers and climaxing with journeys to the stars. (By this time, the seat has reached the top of the dome.) Anyone who has seen this would have to admit that the frame of reference is very much that of the Enlightenment. *Man is the measure of all things.*

As the seats reach the top, they turn 180 degrees and recline for the descent back to ground level. While laid out in this recumbent posture, the visitor is subjected to what might best be described as a *psychedelic* visual display, while the sound track intones that we must progress to the fulfillment of our destiny: running Spaceship Earth. This ride has all the earmarks of classical brainwashing: recumbent position, darkness, sensory overload, and repeated simplistic messages.

The theme of the other industry-sponsored pavilions (the major ones being from Exxon, General Electric, General Motors, Kodak, and Kraft) is that *science is the key to our future*. There is no allusion to any values other than the rationalism of the scientist and the engineer.

Moreover, visitors to the Exxon energy pavilion must confront the theory of *evolution* explicitly presented. In Exxon's exhibit of life-size, moving dinosaurs, visitors are told that such creatures lived hundreds of millions of years ago—in clear contradiction of the Biblical account of creation.

I have left until last the most startling evidence of all of Disney subterfuge. Like the World's Fair it resembles, Epcot has two sections—an area of industry-sponsored pavilions, and a second area of international pavilions sponsored by individual foreign governments. Of course, there is a China pavilion. But it's not suntanned young Floridians who are running it—it's *Red Chinese*. So, unbeknownst to the American public at large, a whole gang of *Chinese Communists* is working at the Disney complex in Orlando (actually Lake Buena Vista), Florida.

The spectacular 360-degree film travelogue on China makes no mention at all of Taiwan—or for that matter, of the Communist revolution or of Mao. But the film's narrator does make a derogatory reference to "landlords" as a reminder of the bad old days.

The souvenir shop features, along with hundreds of Chinese-made products, books from Beijing's Foreign Language Press. And they take the official Red Communist line on everything from history to child-rearing. So any American, young or old, can walk into Disney World and purchase, for example, *A Concise History of China*, replete with lines such as this:

> When the imperialist powers renewed their economic aggression against China after 1922, industries operated by the national bourgeoisie, which had developed rapidly after World War I, gradually came to a standstill or faced serious crisis.

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the book case

A Defense Worthy of the Name

By Aaron Wildavsky

We Can Prevent World War III, by Sam Cohen
Ottawa, Ill.: Jameson Books, 129 pp., $13.95

There are two ways to review books: dismissing them via their defects or appreciating them by emphasizing their strengths. Samuel Cohen's *We Can Prevent World War III* lends itself to both approaches.

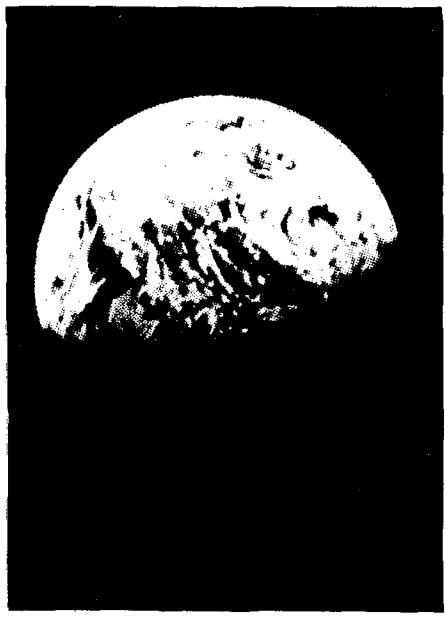
Cohen's fulminating style—those who differ are so unreasonable, it is a wonder they can put one foot in front of the other—lends itself to caricature. For political reasons, apparently, no better motive being available, "the government has been at odds with itself in not objectively using its own information." The whole point of the positive part of Cohen's contribution is that he has a different and better framework to impose upon the data, not that he has achieved what, in this context of competing visions, is a meaningless objectivity. Nor, observing him accuse everyone else of subjectivity, is anyone likely to associate Sam Cohen with objectivity. Epithets like realism and rationality are ways of foreclosing discussion by declaring victory before the intellectual battle has begun. (If I am realistic and you are not, I am right and you are wrong.) Which would be a pity, because Cohen has a lot to say that is worth debating.

In the past, with few exceptions (such as Earl Ravenal), libertarian views on foreign and defense policy have not been worth considering. They lack knowledge. The facts of nuclear life are foreign to them. Like the redistributors with whom they disagree domestically, libertarians like to think the enemy is at home, not abroad. It is not Soviet threats to their liberty but high tax rates and ridiculous regulations that will do them in. No need, then, to learn about the ins and outs of defense, because it is all a con job to justify big government.

San Cohen, by contrast, has spent a lifetime on defense matters. He is knowledgeable, he is not absent-minded, and he is under no illusions.

Cohen finds our nation's defense policies to be "wrong and dangerous," because they increase the prospect of conventional war leading to nuclear war while deliberately, by avowed doctrine, leaving us exposed to devastation. He would reduce the risk of nuclear war in two ways.

One way would be to reduce the prospects of conventional conflict by withdrawing from the direct defense of other nations outside the Western Hemi-



sphere. Instead, those who had the capacity would be expected to defend themselves. Those who wished to resist but lacked the military means would be helped to obtain them.

The other way would be to decrease the size and increase the mobility of nuclear weapons, so the Soviets could not find them, while simultaneously improving civil defense, so the bulk of the population could survive attacks on military installations. When Sam Cohen spends his money, in brief, he wants to buy defense, not enhanced vulnerability. Maybe he is on to something.

Cohen is resolutely opposed to the current policy of protecting Western Europe by "our threat to commit suicide." He refers here to the trip-wire policy by which the US government pledges to use nuclear weapons against the Soviet Union should the North Atlantic Treaty Organization (NATO) be unable to halt a conventional Soviet attack. Starting a nuclear war in order to protect nations whose people are evidently unwilling, though eminently capable, of providing their own defense is in Cohen's view foolish. In addition to bringing the boys back home (while selling their equipment to nations that might wish to use them—a characteristic touch), Cohen would also "disband our plans for deploying forces overseas in the event of war there to make sure that if we are tempted to revert to past behavior we won't be able to do so."

A Kemp-Roth for Europe and Korea—three annual 10 percent troop reductions—does not go as far as a rambunctious Cohen would wish. But it would begin to test the hypothesis that less is more; that is, that less American conventional defense outside this hemisphere would provide more safety for its people.

Actually, Cohen does not think the Soviet Union will attack Western Europe with conventional weaponry. Not at all. Believing in fighting to win, the Soviet Union, Cohen claims, will use everything it has, including nuclear weapons. Presumably, the United States would retaliate against the Soviet Union, thus initiating full-scale nuclear war.

American policy would not only result in the death of the several hundred thousand American troops now in Europe as hostages to Soviet designs, Cohen contends, but would succeed in defending neither Europe nor the United States. Such a policy, he concludes, "would bring about our defeat; the loss of our freedom; and, in our current position of nakedness to nuclear attack, an appalling loss of U.S. lives and property." Now that is laying it on the line.

Without claiming that my views are necessarily more credible than Cohen's (or, for that matter, than supporters' of current policy), I think that by its very existence, whether it wishes to or not, America is and must remain the shield of the West. Even if a Soviet conventional attack succeeded in the conquest of Western Europe, the United States would arm itself to the ultimate. In a genuine nuclear arms race, with no

domestic divisions in the United States to limit its extent, the Soviet Union would increasingly be left behind. Such a self-defeating strategy—lose if they lose, lose if they win—is extremely unlikely to appeal to the leaders of the Soviet Union.

Arms control and disarmament treaties hold no hope for Sam Cohen. For one thing, Soviet doctrine is based on surprise, and Cohen does not believe we can know what they are doing without actual on-the-ground inspection, to which they will not agree. Cohen is evidently not a trusting man. He is especially distrustful of thinking you know things from satellite observation that can only be known by being where the action is.

For another thing, there is apparently no problem Cohen perceives with nuclear defense—survivability of missiles, civil defense of the population—to which so-called arms control provides a solution. On the contrary, the arms-control formulas so far agreed upon make it difficult to get rid of bulky and immobile weapons and prohibit the acquisition of the only genuinely defensive weapons—anti-ballistic missiles (ABMs) that do not reach to other countries. He calls the 1972 ABM treaty a "moral travesty . . . for on what grounds could a concrete effort guaranteed to save human lives be discarded in favor of a disarmament treaty that guaranteed the loss of human lives in case of war?" Amen!

Initially, American strategic doctrine was based on mutual assured destruction, the MAD doctrine, which Cohen correctly calls "city busting." Later, it changed appropriately to counterforce, that is, to military operations against targets—offensive missiles, government headquarters, nuclear submarine bases—thought to be especially valuable to the Soviet leaders who would make decisions about whether to start a nuclear war. Unfortunately, the presence of highly vulnerable offensive systems—Cohen (following others) estimates that some 90 percent of Minutemen, two-thirds of manned bombers, perhaps half of nuclear submarines, along with most command and control, would be destroyed in a surprise attack—and the absence of civil defense would leave the president, were he alive, with a choice of killing innocent Soviet citizens ("a grossly immoral act") or surrendering.

So what? Wouldn't there still be sufficient uncertainty in the minds of Soviet leaders (after all, remaining American forces could still wreak immense damage) to make war irrational for them? Since this is *the* question, Cohen's analysis deserves to be quoted in full:

> Not to worry, the president would say, as his predecessors have said, for this problem will never arise; the Russians will never attack. As everybody knows (except maybe the Russians), they are deterred from doing this by U.S. fiat; nuclear war will be so horrible that no Soviet leader in his right mind will ever contemplate making such an attack. And the U.S. threat to retaliate against the Russian attack, however irrational and immoral it may be, is quite sufficient to deter the attack. As President Reagan has said time after time, nobody can win a nuclear war. So why would the Russians start a war they could only lose? . . .
>
> Now I'm not trying to say that tomorrow, or the day after, or a month or a year after, the Soviets, based on an exhaustive analysis of their capabilities and ours (what they call a 'correlation of forces'), will have arrived at the conclusion that they can successfully pull off a surprise nuclear attack—and then make the decision to do it. Rather, what I am saying is that nobody can logically rule out that possibility; for the logic behind such a Soviet decision has to be *their* logic, based on their stated objective, which is the imposition of communism on the world.

To put it mildly, Cohen is not in favor of pegging American "survival on some-

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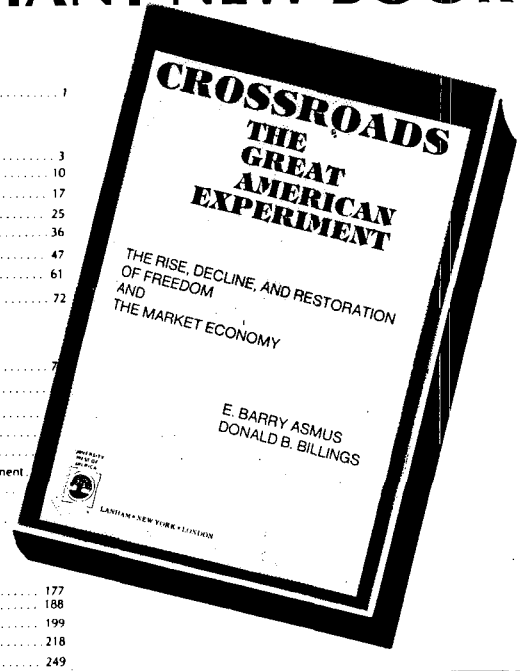
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thing so intangible as sowing uncertainty in the Soviet mind, which we have never really understood."

I often wonder myself how the distinguished adherents of the irreducible uncertainty doctrine can know anything with as much certainty as they know that the Soviet Union will be deterred because it cannot be sure it will get away with a surprise attack. Like relativists, whose position involves denial of their own truth value, the argument from uncertainty is self-defeating.

Cohen pleads for our nation to "turn to its own terribly neglected defense, [so as] to be able to survive." He favors a relatively inexpensive "stay-put" program of neighborhood urban shelters primarily designed to protect against fallout from surprise attack against distant military targets or low-yield nuclear weapons. Of course, these simple shelters will not protect against nearby bursts. Since Soviet doctrine militates against bombing cities (so as to have something left), and no one knows the nature and magnitude of an attack, Cohen thinks this is a worthwhile investment. I agree with him.

He does not deal with the usual counterargument, namely, that defensive measures would be regarded as a prelude to surprise attack, thereby encouraging the Soviet Union to preempt before we do. This is how "nuclear-speak," in which defense is offense and targeting cities is stabilizing while protecting people is destabilizing, got started. In any event, the Soviets spend vastly more than we do on civil defense. It saddens me to say that in this, if in no other respect, Leninism cares more for its people than does democracy.

When one hears that if everyone can't be saved, no one should be saved, despair is a natural reaction. This is not far from saying that America as a nation is not worth saving. "To expect that an unsheltered U.S. populace will not suffer a massive societal collapse," Cohen conveys his concern, "has to be whistling Dixie."

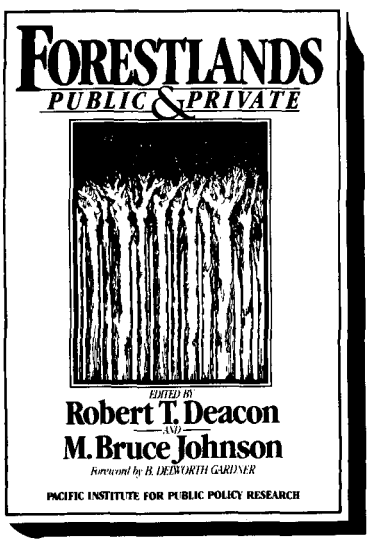
Cohen wants to build a substantial number of Midgetman (small, mobile) missiles that would roam the country so as to be undetectable by the Soviets. He rejects in advance the ideal of limiting them to military reservations, because there would not be enough room and they would not be able to merge with civilian traffic. Wisely, Cohen warns against demanding too much blast and accuracy, because these features come at a price—higher cost and heavier weight.

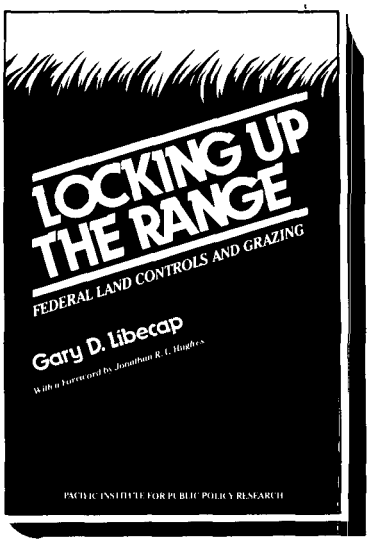
His favorite project, Insertable Nuclear Capsule (INC) warheads, would have Midgetman divided into three parts—boosters, carried on tractors; reentry vehicles, spending most of their time aloft; and insertable warheads. Without venturing further into a technical discussion, it is easy to visualize Cohen's design of a survivable missile. Obviously, he is generally in favor (perhaps he is an originator) of a missile-defense shield designed to shoot down some missiles before they arrive. Defense might then live up to its name.

Cohen's policy would democratize defense. The better dispersed these missiles—a function not only of small size but of blending into the entire countryside—the more the general population become targets. On a psychological basis, every American would be a target. One can find shared exposure morally desirable without losing sight of the immense political commitment necessary to carry this burden. Replacing "out of sight, out of mind" with its opposite is no mere technical move.

There are also certain implications of

BUREAUCRACY vs. ENVIRONMENT





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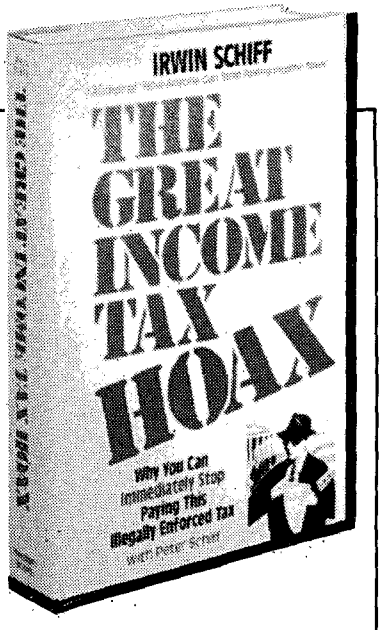

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Cohen's argument for nuclear defense that deserve to be spelled out. Defense would become proactive. It would not wait on or be restrained by arms pacts. Once Midgetman was in place, for instance, Minuteman missiles might be phased out even if the Soviets did not reciprocate. The right issue—what sort of defense should the United States have?—not, what sorts of agreements should it sign?—would at long last occupy center stage.

Cohen is coming. He is still ahead of his time. But not, I suspect, for too long.

Aaron Wildavsky is a professor of political science and public policy and a member of the Survey Research Center at the University of California, Berkeley. His most recent books are The Nursing Father: Moses as a Political Leader *and* Beyond Containment: Alternative American Policies Toward the Soviet Union *(editor and contributor).*

From Groupthink to Illiteracy

By Christopher McDaniel

The Leaning Tower of Babel, by Richard Mitchell
Boston: Little, Brown and Co., 256 pp., $14.95

Richard Mitchell's *The Leaning Tower of Babel* is his third book on what pundits call the "sorry state of the English language." Mitchell is usually lumped with those pundits, like Edwin Newman and William Safire, who have fun picking on sportscasters and "spokespersons." However, Mitchell points out that the fault lies not in the language, which is simply a tool for thought, but in the speakers and, especially, the writers who abuse the language; he has bigger fish to fry, and fry them he certainly does, in the grease of their flabby prose and the heat of his savage indignation.

A professor of English at Glassboro State College in New Jersey, Mitchell is editor and publisher of *The Underground Grammarian*, a periodical that plays 52-pick-up with the vast house of cards known as "educationism." Mitchell cogently defends against the presumptuously egalitarian charge of pedantry those "elitists" who demand not just correctness—which is a simple skill virtually anyone can learn to master—but *sense* from writers, especially those who are hired to lead our children to literacy and the life of the mind. And he doesn't shrink from laying blame exactly on those who deserve it: not the average teacher toiling in the trenches of the classroom, but the self-styled professionals of education who have taken over our schools and, what is more important and much more ominous, the teacher-training academies, ensuring that generations of teachers will be trained not in what educationists blithely refer to as "mere knowledge" (things like grammar, history, science), but in the "affective domain"—feelings, self-esteem, appreciation.

Today our society is so complex that it is necessary that many people be accurate and precise in their work; yet, perversely, we now "simply agree with the children that geometry and algebra are useless, and instead of wasting all that time we let them rap about interpersonal adjustment....This does not, somehow, make them 'well adjusted,' but it does provide that the techniques and devices that they will someday be responsible for won't be very well adjusted either. Even Steven."

The "theory" underlying American educationism is pernicious balderdash, but who is to connect it? The professor of education who offered a course in "Effective Writting"? Or the striking high-school teacher who carried a placard demanding "descent wages"? Or maybe Daryl McCarty, Utah's Associate State Superintendent of Schools for Instruction, who said, apparently explaining his admission that he hadn't read more than two or three books all the way through, "Just because one does not sit down and read Little Red Riding Hood, or novel after novel, doesn't mean they aren't educated or can't do their job." Fat chance. The people who brought us the present mess are the very people our government will turn to—with much, much more of our tax money—for solutions. All the solutions will only make matters worse as long as the foxes are in charge of the henhouse.

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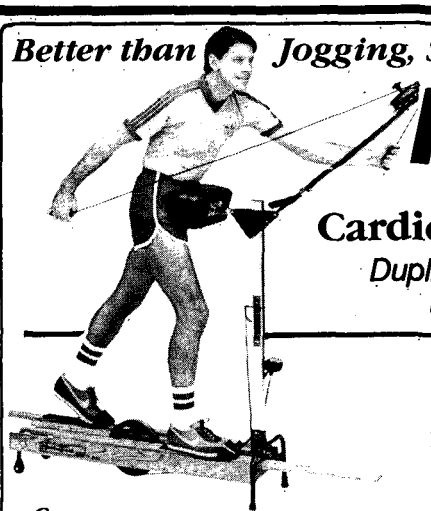

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In *The Leaning Tower of Babel* Mitchell gives us the words of our professional of education. The book provides a definitely sadistic pleasure in its skewering of idiots parading as savants, but it's also a disturbing book; often it's hard to tell the tenets of American educationism from the principles of Sovietism. Consider this from a proclamation of the Association of California School Administrators:

> "Parent choice" proceeds from the belief that the purpose of education is to provide individual students with an education. In fact, educating the individual is but a means to the true end of education, which is to create a viable social order to which individuals contribute and by which they are sustained. "Family choice" is, therefore, basically selfish and anti-social in that it focuses on the "wants" of a single family rather than the "needs" of society.

Mitchell comments that "Lenin's bolshevism and American educationism have so much in common." You think such outrages exist only in far-off and far-out California? Then listen to this, from William H. Seawell, professor of education at the University of Virginia: "Each child belongs to the state.... We must focus on creating citizens for the good of society." Surely it is bad enough that educationists, lacking any subject to teach, waste everyone's time with their preachy blather, but when that blather is totalitarian groupthink, we are—the Republic is—in danger.

But who will care? Peter Wagschal, a university-employed "futurist," claims that "students do not read, write and do arithmetic as well as they used to because they can get along quite nicely without these skills.... Our basic skills are declining precisely because we need them less." Out in Tulsa, Oklahoma, Larry Zenke, Superintendent of Schools, quotes Wagschal with approval and goes on to prophesy that soon, when literacy is obsolete, "teachers will be program developers and/or facilitators of group membership, helping students develop interaction skills." But who's going to be minding the store? Mitchell explains:

> And how, you ask, will people who are "largely illiterate" come to amass all that knowledge? Well, don't you worry, bless your heart. Someone will probably be quite willing to tell them what to know, even if it means all the trouble and expense of attaching loudspeakers to every lamp-post in America.

That's the reason for Mitchell's outraged cries of protest when our educationists want to substitute "minimum competency" (why do they need that *y*?) for literacy. In our schools, anti-intellectualism is pandemic, and the "affective

domain" is offered as a substitute for reasoning in clear language. Imbeciles and mountebanks are in charge of our schools, and Mitchell's warning to the people of Tulsa should serve as a warning to all of America:

> The most dangerous threat to your liberty, the one that has by far the best chance of turning you all into docile clods, is right there in Tulsa. Think, dammit! Do you imagine that foreign enemies of this nation could devise for your children a more hideous and revolting destiny than the one so blithely envisioned—and as an *exoneration*, no less—by the superintendent of schools?... Does it not occur to you that the inculcation of "interaction skills" for the purpose of "group development" is exactly the opposite of an education, by which a mind can find its way *out* of groupthink and the pet promulgations of collectivisms?... How is it, O Pioneers, that you are not mad as hell?

Indeed. Once we have escaped, most of us try not to think about what goes on in school, and so, in a sort of revenge of the nerds, the dunces have taken over the classroom while nobody was looking. The problem is that even dunces—maybe dunces especially—can form an effective bureaucracy, and every bureaucracy exists, not to serve the public, but to perpetuate itself. Educationism grows fat, and we are left with the National Commission's "tide of mediocrity." Our one slim hope is not, certainly, in more educational collectivism, but in parents' taking control of their children's education and demanding, not "minimum competency," but competence. And how do we judge the competence of teachers, administrators, or anyone else? Always and only, as Mitchell demonstrates with devastating humor, by paying attention to their language.

Christopher McDaniel is a free-lance writer.

Bringing Leviathan under Control

By James T. Bennett

Privatizing Federal Spending: A Strategy to Eliminate the Deficit, by Stuart M. Butler, New York: Universe Books, 186 pp., $14.95

Ronald Reagan's election in 1980 raised the hopes and expectations of those who seek a limited government, lower taxation, and a less-intrusive public sector. Unfortunately, in the four years that followed, the Reagan record in bringing Leviathan under control left much to be desired.

Contrary to predictions and election promises, federal spending has soared, as has the deficit: Reagan is likely to achieve the highly dubious distinction of being the biggest spender and borrower in the history of the American presidency. The growth in spending under Reagan has exceeded even the projections developed by the Carter administration. Moreover, despite the hysterical reports of the media and political activists that the safety net has been shredded, the level of spending for social programs has actually *risen* after inflation.

Conservatives should be questioning long-standing notions that they have widely accepted as articles of faith (for instance, that a "conservative" administration would change the direction of government, or that ideology matters, in that having the "right person" appointed to office will produce the needed policy changes). The Reagan administration is now the Washington Establishment, and unless effective and dramatic changes are made in policy initiatives, the second term is likely to end as disappointingly as the first.

Stuart Butler's *Privatizing Federal Spending* attempts to answer two basic questions: What went wrong? and, What should be done to correct the mistakes of the past? He makes a convincing case that the administration failed to cut federal spending and reduce the size and scope of the public sector because it

Austrian Economics Made Easier

For decades Ludwig von Mises (1881-1973) was the leading exponent of the "Austrian" school of economics. His interpretation of economic phenomena in the light of the subjective value, marginal utility, theory of value led him to many important conclusions, among them explanations (1) as to why socialist economies cannot calculate — they have no economic compass, no market prices, to guide them — and (2) as to how the manipulation of the quantity of money and credit must inevitably lead to economic distortions, booms, busts, depressions.

Mises came to the United States in 1940 to escape Hitler-dominated Europe. With his background as a European intellectual, the words and the historical examples he chose to express his ideas clearly and precisely are frequently unfamiliar to modern readers. Therefore, it is helpful to have as a guide to Mises the works of his long-time faithful and diligent student Percy L. Greaves, Jr. (1906-1984).

Greaves attended Mises' graduate seminar at New York University for 19 years; he used Mises books as texts in his own economics courses; he and Mises often travelled together and frequently spoke from the same podium. As a result, Greaves' works benefit not only from a close familiarity with Mises writings but also from insights gained from informal economic discussions with him.

Two Greaves books stem directly from his association with Mises — **Mises Made Easier: A Glossary for Lugwig von Mises' Human Action** and UNDERSTANDING THE DOLLAR CRISIS, based on a series of lectures in Argentina in 1969. The glossary defines the relatively unfamiliar words in Mises' major economic treatise, **Human Action,** translates all foreign phrases in that book and explains the historical references. Before entering on a history of the U.S. monetary situation from 19th century bimetallism, through the 1930s depression, to the date of the lecture series, UNDERSTANDING THE DOLLAR CRISIS explains economic action, value, prices and money. Recent events are interpreted in a 1984 epilogue. According to Henry Hazlitt, author of the ever-popular *Economics in One Lesson,* this book "admirably meets [the] need [for] a book of intermediate length to introduce readers to a full appreciation of the Misesian principles and insight."

Mises died in 1973, but his influence continues unabated. A nationalist Chinese businessman, Fuchow Wang, founder of China Data Processing Center and sponsor of Chinese translations of several Mises books, has written that he considered Mises the greatest economist of the century, that is of "the coming century." Mises' books are important milestones in the history of economics. Modern "Austrians" now coming to prominence are building on the foundations he laid. Not only that but an understanding of the "Austrian" theories he presented are necessary for the layman to comprehend the operation of a free and our not-so-free market. Anyone interested in understanding the economic events of today and tomorrow should begin with Greaves' UNDERSTANDING THE DOLLAR CRISIS and continue by reading Mises.

Ludwig von Mises and Percy L. Greaves, Jr., 1960

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failed to "get a grip on the basic political dynamics of budget growth." Those dynamics, Butler explains, involve "a systematic political imbalance between those who desire more spending (politicians, bureaucrats, and beneficiaries) and those who desire less (taxpayers)—an imbalance consistently favoring the pro-spending lobby."

Every governmental program is backed by a coalition of supporters who have much to lose if spending is cut; these individuals fiercely oppose any efforts to reduce spending on their behalf. On the other hand, the average taxpayer will gain little if spending is reduced on a particular program, because the costs of the program are widely dispersed among all taxpayers. Cutting a billion from the budget would save the individual taxpayer only a few dollars. So Joe Taxpayer has little incentive to mount a counter-offensive to offset the determined lobbying efforts of spending advocates. Faced with withering opposition to budgetary reductions, the administration has again and again retreated.

Practitioners of the "public choice school" of economics have long recognized the problems for public policy that stem from this "rational ignorance" on the part of the voter-taxpayer in a democracy. A "supply-side" approach was taken as an alternative offensive by the administration: starve the federal government of revenue, and spending would *have to be* reduced. Rather than bite the bullet on the budget, however, Congress, joined by the administration, simply continued to increase outlays. The deficit soared. Only under a "conservative" administration could deficits of $200 billion per year be tolerated.

What, then, is to be done? Butler persuasively argues that privatization is the proper approach to shrinking the federal government. This conclusion is not based solely on the notion that the private sector is a much lower-cost provider than the public sector—a fact that academics and others have been demonstrating for at least two decades. Little has been achieved in the past by attacking the waste, fraud, and abuse that seem to permeate every governmental program or by the perennial (and unproductive) exercise of "reforming the bureaucracy" to make it more efficient. Instead, privatization is especially desirable because it provides an incentive for citizens to join in political coalitions to oppose the pro-spending lobbies. The proper political strategy for privatization initiatives can spark coalitions with a vested interest in turning governmental programs over to the private sector.

As evidence of the success of this strategy, the author cites examples in Britain where, according to Madsen Pirie in *Dismantling the State: The Theory and Practice of Privatization* (Dallas: National

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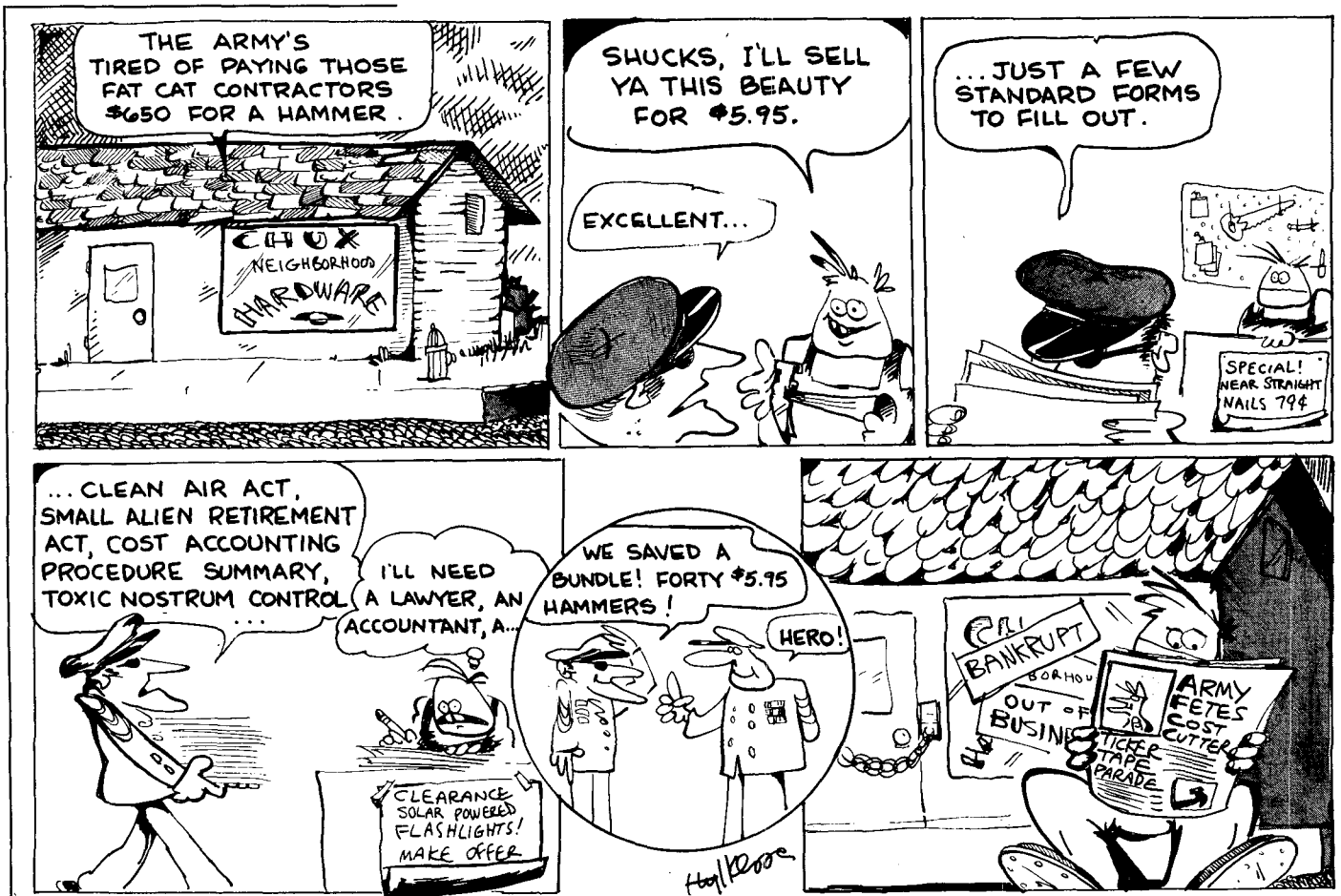
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Center for Policy Analysis, 1985), privatization has been widely adopted and excellent results have been achieved. The Thatcher government, for example, has managed to sell nationalized industries, thereby ridding the taxpayer of grossly mismanaged state "assets." Under Thatcher's administration, Britain has privatized many public housing units by permitting tenants to purchase their homes, contracted out many services provided by public employees, and provided a private-sector alternative that, over time, will greatly reduce dependence on, if not replace, the enormously costly and wasteful national health scheme.

As examples of how coalitions might be developed for privatization in the United States, Butler discusses public housing, Amtrak, human services, the post office, space transportation, the air traffic control system, defense spending, and Social Security. In each case, he identifies the constituents who would benefit from, and thus would be willing to lobby and proselytize for, privatization, and he proposes a strategy for overcoming the political resistance of the pro-spending lobby. Although the general approach is the same in every case, the author adjusts the tactics to fit the unique characteristics of each program to devise the most workable approach to defusing opposition to privatization.

This is an excellent book, for it covers every aspect of the privatization issue—perverse bureaucratic incentives, the superiority of competition and private provision, the persistence of government programs and their growth despite their inefficiency. It also goes beyond the typical treatment of the subject, in that most of the analysis is concerned with the political problem of implementation, an issue that has not heretofore been given the consideration that is surely required.

My one reservation is over Butler's recommendation that privatization be institutionalized through the establishment of yet another presidential commission. Unfortunately, the record of these commissions in accomplishing substantive changes in policies and programs can only be described as dismal. One *hopes* that the Grace Commission on controlling government costs will have a substantial and lasting impact, but only an inveterate optimist (or a fool) would bet money on this outcome.

The Reagan administration itself should undertake a major initiative on privatization as the best means for bringing government spending under control. At this point, everything else seems to have produced few substantive results.

James T. Bennett, a professor of economics at George Mason University, is the coauthor with Manuel Johnson of Better Government at Half the Price.

Forward to the Future

By Joseph Martino

The 2025 Report, by Norman Macrae
New York: Macmillan, 258 pp., $15.95

Don't let Norman Macrae's title scare you off. *The 2025 Report* is nothing like the *Global 2000 Study Report* of a few years back—a "scientific" tome filled with numerical projections and gloom-and-doom analysis. Instead, this new book by an editor of *The Economist* is a nontechnical, upbeat report done in the tradition of Edward Bellamy's *Looking Backward.* It's a description of the world in 2025, with a brief history of how we got from now to then. Much of the "history" is presented in brief "biographies" of people who helped shape the world of 2025.

What will the world be like in 2025? Basically, it will be peaceful, wealthy, healthy, and less governed than today.

Peace arrived because the Russian menace "disappeared." A group of upper- and middle-level Soviet managers, after gaining the moral support of the United States, staged what amounted to a coup. They then abolished government controls and established a free market in the same way Ludwig Erhard did in Germany in 1948—by announcing it before opponents could react. The new decentralized Russian confederation and the United States collaborated to prevent any Third World dictators from starting nuclear wars.

The world became wealthy by restoring free markets, domestically and internationally. A new lending institution, Centrobank, was set up to lend to individuals instead of to governments. It denied loans unless free markets were allowed in agriculture. Thus the food problems of the Third World disappeared. US per capita income reached $48,000 in 1985 dollars. Other countries grew wealthier, although not yet that wealthy.

People became healthy through the actions of multinational health maintenance organizations (HMOs). These groups were paid for keeping people well instead of curing them when they got sick.

Governments declined in power because people could "telecommute" to work. With computers in their homes linked to their employers, people could live where the government was most tolerable, regardless of where they "worked." The book is even presented as though it were delivered over a computer conferencing network from the author's purported home in Tahiti. Once people could escape, governments had to become more efficient and less intrusive. They took to contracting out some services. Los Angeles even hired a Japanese multinational to administer it, and other cities took similar actions.

I think I'd like to live in the world Macrae describes, although I'm not as optimistic as he is that we'll get there. But there are some apparent inconsistencies in his world of 2025. It's described as being a much freer world than ours. Natural hard drugs, however, have been replaced by synthetics. You can't buy them except by credit card, and your HMO can forbid sale to you. But that would create a black market for drugs to bypass the credit card system. Likewise, guns may be owned freely, but each gun has a "tracker" in it. That would create a black market in untrackable guns.

These inconsistencies on Macrae's part are instructive, though. They show that it's hard to create a scenario in which people are free to do what they want but are also restricted from doing "harmful" things. If they're really free, they'll get around the restrictions. If they can't get around them, then they're not really free.

The inconsistencies are minor, however. Overall, the book is not only stimulating but funny. It's easy to read. It's enjoyable. Don't miss it.

Joseph Martino is a senior research scientist in the Technology Forecasting Group, University of Dayton Research Institute. He is associate editor of the journal Technological Forecasting and Social Change *and a frequent contributor to* REASON.

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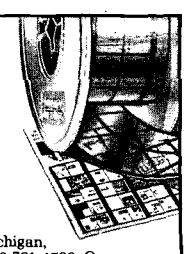

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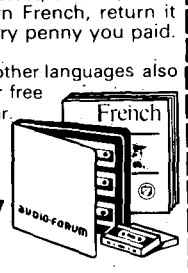

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Supreme Court Ungags Lawyers

Consumers and champions of marketplace freedoms should rejoice over a recent Supreme Court decision striking down an Ohio law that placed strict limits on lawyer advertising.

The case involved an Ohio lawyer named Philip Q. Zauderer, who in 1982 advertised in newspapers seeking clients to file lawsuits against A. H. Robins, manufacturer of an allegedly hazardous intrauterine contraceptive device, the Dalkon Shield. As Trends reported in May, the high court agreed to hear Zauderer's appeal of a reprimand he received from the Ohio Supreme Court for violating state regulations restricting client solicitation and the use of illustrations in advertisements.

The Supreme Court, in a 5-to-3 decision, held that the Ohio restrictions violated Zauderer's right to "commercial free speech." (The court knocked down blanket prohibitions on lawyer advertising in a landmark 1977 case.) Justice Byron White wrote the majority decision in the Zauderer case. In addition to enjoying First Amendment protection, Justice White observed, lawyer advertising "tended to acquaint persons with their legal rights who might otherwise be shut off from effective access to the legal system."

The case against lawyer advertising has always rested on the belief that the "dignity" of the legal profession would be tarnished by legalized huckstering. Justice Sandra Day O'Connor expressed this view in a dissenting opinion. O'Connor argued that lawyers should adhere to "standards beyond those prevailing in the marketplace."

Yet the marketplace Justice O'Connor so haughtily disparages provides consumers with more choices and lower prices than in the dignified old days of the advertising blackout. A Federal Trade Commission (FTC) study found that lawyer's fees in states with few restrictions on lawyer ads are 5-13 percent cheaper than in states with stringent regulations.

As barriers to advertising continue to fall, so will prices. So the next time you divorce your spouse or sue your IUD-maker, whisper a word of thanks to the Supreme Court for helping to keep down your legal fees.

And More

■ *Private postal potential.* The US Postal Service has announced that it will close down E-COM, the government-run electronic-mail service that competes with Federal Express's Zap Mail and MCI's MCI Mail, if no private operator will buy the money-losing operation soon. Started up in 1982 with high hopes, E-COM never attracted the volume of business that the Postal Service had predicted. It is estimated that E-COM lost as much as $100 million during its brief life.

Meanwhile, the Postal Service is considering a pilot project under which private contractors would deliver first-class mail in several cities. It could be the next breakthrough in the government's monopoly on delivery of first-class mail (the first having come when delivery firms such as Federal Express were permitted to carry "time-sensitive" material). And that's why the postal unions are expected to oppose the USPS potentially money-saving pilot project.

■ *IRS gets bashed*—Donna L. Todd, who drew the wrath of the IRS by typing "signed involuntarily under penalty of statutory punishment" on her 1040 form, has turned the tables on the tax collectors. As REASON reported in September 1984 (Brickbats), the IRS responded to Ms. Todd's insolence by fining her $500, seizing her bank account, and filing a lien against her house.

When Todd sued the agency, the government dropped its claim and offered to pay her legal costs; she refused the deal and took them to court. A US district court judge in Billings, Montana, recently awarded round one to Ms. Todd. He ruled that the IRS had violated her rights to free speech and due process. The outcome of the suit now hinges on whether the IRS agents knew that they were violating Todd's constitutional rights.

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2 The Canada $20 is a relative bargain, priced far cheaper than other, comparably rare gold coins. As you can see from the chart, the Canada $20 is available at a price more than 35% lower than the U.S. Olympic $10—despite the Olympic's mintage of more than double the $20's. The $20 is also about 20% cheaper than the Canada $100 1980, despite their similar mintages. It's also far cheaper than MS-60 specimens of regular U.S. issues, despite their significantly higher mintages.

3 Since the introduction of the $100 commemorative gold coin in 1976 and the Maple Leaf in 1979, Canada has moved into the forefront of the world's gold coin producers. More and more collectors, especially in the U.S., are seeking the coins of our neighbor to the north.

4 The Canada $20 was issued in 1967, at which time it was illegal for Americans to acquire current gold coins. Consequently, very few Americans acquired specimens at the time of issue. Most of the mintage was sold to Canadian collectors, but a very substantial portion was sold to European collectors. As more and more Americans seek the Canada $20, its price is likely to rise.

5 The Canada $20 is Canada's first modern gold coin issue, and is required by collectors seeking a complete set of Canada's modern gold coins.

6 The Canada $20 is Commemorative Coin of genuine importance, issued to help celebrate Canada's 100th Birthday.

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8 The Canada $20 is a Proof coin: a specimen of the pinnacle of the mintmaster's art.

9 Because the Canada $20 was issued without protective packaging, relatively few survive in choice condition in comparison with other modern issues.

10 The Canada $20 is a legal tender coin, with established markets worldwide.

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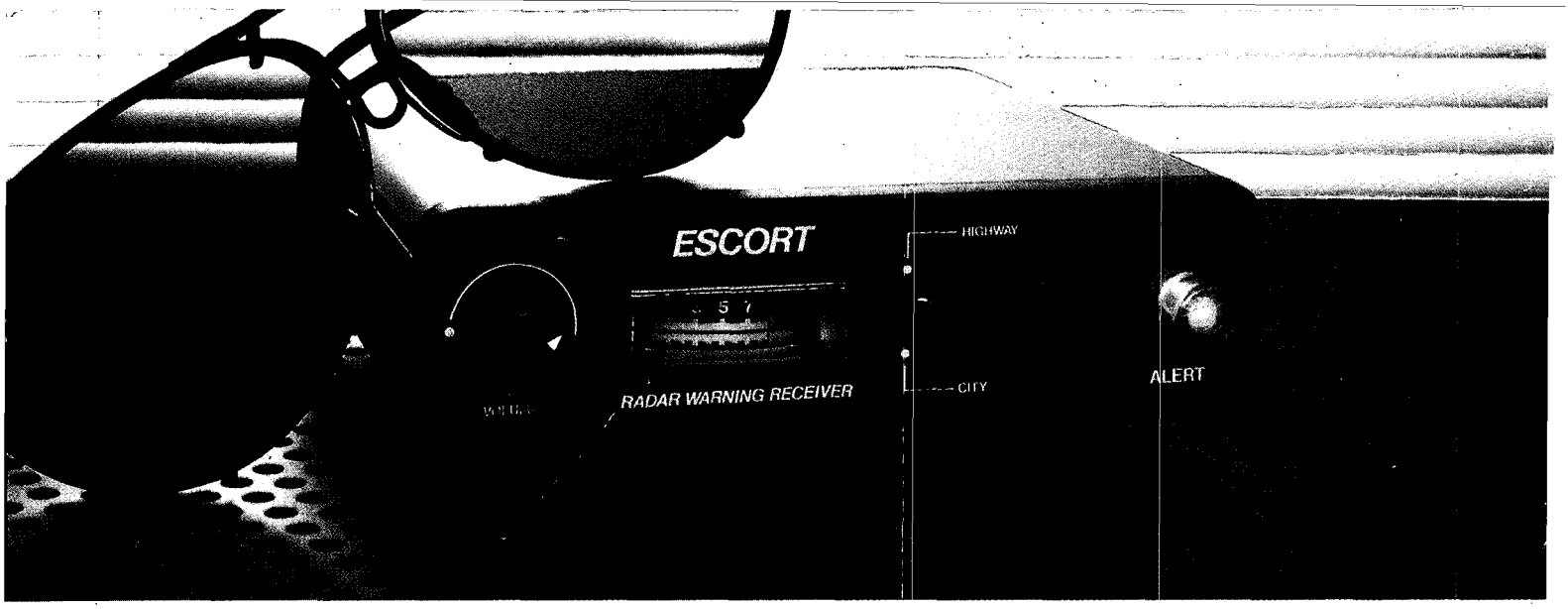

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Seven years is a long time in the radar warning business, but there is no shortcut to a good reputation. *Car and Driver* said, **"The ESCORT radar detector is clearly the leader in the field in value, customer service, and performance..."**

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Check our references

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